

# Exhibit 16



GENERAL MOTORS COMPANY

2013 ANNUAL REPORT



2014 CADILLAC CTS Motor Trend Car of the Year





Relentless forward motion.

Today's GM is born of the passion of our people to bring our customers the finest cars and trucks we've ever built ... and to reward our stockholders for their confidence in us.

We're doing all that and more. GM is moving forward.  
And the very best is yet to come.





2015 CHEVROLET SILVERADO HD

## FINANCIAL CONTENTS

12	Vehicle Sales and Net Revenue	48	Quantitative and Qualitative Disclosures About Market Risk	58	Consolidated Statements of Equity
13	Reconciliation of Non-GAAP Measures	54	Financial Statements and Supplementary Data	59	Notes to Consolidated Financial Statements
14	Board and Management Team	54	Consolidated Income Statements	126	Controls and Procedures
15	Market for Registrant's Common Equity and Related Stockholder Matters	55	Consolidated Statements of Comprehensive Income		
16	Selected Financial Data	56	Consolidated Balance Sheets		
17	Management's Discussion and Analysis of Financial Condition and Results of Operations	57	Consolidated Statements of Cash Flows		

---

## To Our Stockholders:

2013 was an historic year for General Motors – a year in which we advanced every part of our long-term strategy for profitable growth.

We strengthened GM's fortress balance sheet. We delivered solid earnings and made a number of strategic investments around the world. We also built on our reputation for product excellence and world-class quality, thanks to our revitalized portfolio of highly regarded new and refreshed vehicles.

In June, Standard & Poor's restored GM to the S&P 500, which opened the door to new investors, including index mutual fund holders and other investment institutions. Then in September, Moody's Investors Service responded to our progress by elevating GM to investment grade. Finally, the U.S. Treasury sold its remaining stake in the company toward the end of the year, and we will be forever grateful for the extraordinary assistance we received.

These were all important milestones. But just as important, our culture is changing and the entire company is now squarely focused on the customer: what they want, what they need and what they

deserve when they buy a new GM car, truck or crossover.

This discipline is transforming our product design, quality and customer care at a remarkable pace. It is also guiding our response to the large safety recalls announced in early 2014 that involve the ignition switches in certain GM vehicles no longer in production.

Rest assured that we are completely focused on this issue at the highest levels of the company and we are working to exceed everyone's expectations for customer care, responsiveness and transparency.



MARY T. BARRA  
Chief Executive  
Officer



OUR CULTURE IS CHANGING AND THE ENTIRE COMPANY IS NOW SQUARELY FOCUSED ON THE CUSTOMER: WHAT THEY WANT, WHAT THEY NEED AND WHAT THEY DESERVE WHEN THEY BUY A NEW GM CAR, TRUCK OR CROSSOVER.

RECORD SALES

**9,700,000**  
VEHICLES



delivered around  
the world

Nothing is more important than the safety of our customers, so we are also making changes to ensure that something like this does not happen again. One of our first actions was to name a vice president of Global Vehicle Safety to oversee the safety development of GM vehicle systems on a global basis, the confirmation and validation of safety performance, and post-sale safety activities such as recalls. There will be more changes because we are determined to emerge from this crisis stronger and wiser so we can accelerate the momentum we generated throughout 2013.

During the year, we delivered a record 9.7 million vehicles around the world and more than \$155 billion in revenue. We saw record sales in China, the world's largest market; higher retail share in the United States; and Opel/Vauxhall's first market share increase in Europe in 14 years.

Net income to common stockholders was \$3.8 billion, which is down from

2012 largely because of incremental tax expense and the actions we took to make the business stronger for the long term.

By contrast, our EBIT-adjusted – a figure that tracks how the underlying business is performing before interest, taxes and special items – was a robust \$8.6 billion. That is up \$700 million from 2012.

The largest contributors were our operations in North America, where we had record earnings, our China joint ventures and GM Financial, which also posted record results. South America was profitable and Europe, which significantly reduced its losses, remains on track to achieve its mid-decade break-even target.

All of this translates into 16 consecutive profitable quarters and almost \$32 billion of cumulative EBIT-adjusted since the beginning of 2010. These results also paved the way, in early 2014, for our Board of Directors to declare a 30-cent per share quarterly dividend on our common stock – a first for today's GM.



2015 CADILLAC  
ATS COUPE

## GM's IPO: AN EXPRESSION OF WHAT COULD BE

Returning capital to common stockholders through a dividend was meaningful because it helps deliver on the promise of GM's historic 2010 initial public offering.

We went public as a smaller company with far less debt and some very good vehicles. However, a wide range of issues had to be addressed so that the company could better adapt to aggressive global competition, rapid-fire advances in technology and increasingly stringent government regulations.

Working together, our team set out to rebuild the company's organizational capability in corporate and consumer finance, accounting, information technology, risk management, research and development, and more.

Every year since the IPO, we have made significant progress, and 2013 was no exception. For example, we acquired Ally

Financial's International Operations in Europe and Latin America, and we expect to acquire Ally Financial's China joint venture in 2014.

The year also saw the opening of a new state-of-the-art information technology data center and the start of construction on a second mirrored and fully redundant facility, as well as the retirement of several billion dollars of high-cost preferred stock. However, no amount of restructuring, reorganization and investment would matter much if we had not made the customer our compass.

Our products best tell this story. Today, GM products are taking on the best vehicles in the world and winning – with customers and critics alike. For example, the new Cadillac ATS sedan, which was named the 2013 North American Car of the Year by a panel of distinguished journalists, helped Cadillac become the fastest-growing full-line luxury brand in 2013. Just 12 months later, Chevrolet

EBIT - ADJUSTED

**\$8.6B**  
2013

**\$7.9B**  
2012





2014 SILVERADO: North American Truck of the Year; 2014 CORVETTE STINGRAY: North American Car of the Year

#### QUALITY

8

J.D. Power  
Initial Quality Awards  
in 2013

swept the group's 2014 car and truck awards with the Corvette Stingray and the Silverado. About the same time, the new Cadillac CTS was named the *Motor Trend* Car of the Year.

The same story is playing out all over the world. The revitalization of Opel/Vauxhall is just one example. Opel won more than three dozen awards for design, performance, innovation and value in 2013, thanks in large measure to the new ADAM and Mokka.

Compelling design played a part in these success stories. So did value, and advanced technology in areas like safety, connectivity and fuel economy. However, there is one attribute that can make or break a brand, and that is quality.

#### QUALITY: GOOD ENOUGH JUST ISN'T

For years, GM's quality was competitive. Today "good enough" just isn't, and we

have made major strides because the entire organization is now on the same page. For example, back in 2011 we aligned the compensation of salaried and hourly employees in the United States around profits and quality.

This provides a greater opportunity for employees to share in the success of the business. And getting our workforce fully engaged was instrumental in helping us earn eight Initial Quality Awards in the J.D. Power 2013 Initial Quality Study\*, which was more than any other automaker.

We are proud of our progress, but it is critical that we improve on these results and then replicate them all over the world. That is why we created the Global Quality & Customer Experience team in 2013.

This group is helping us develop even more robust product quality and durability testing standards, and revamp how we handle customer concerns to move faster and get our designers and engineers fully engaged.

\* The GM vehicles ranked highest in their segments in the J.D. Power 2013 Initial Quality Study were: Chevrolet Camaro (Midsize Sporty Car); Chevrolet Impala (Large Car); Chevrolet Tahoe (Large CUV); Chevrolet Silverado HD (Large Heavy-Duty Pickup); Chevrolet Avalanche and GMC Sierra (Tie - Large Light-Duty Pickup); Cadillac Escalade (Large Premium CUV); Buick Encore (Tie - Sub-Compact CUV).



## PLAYING OFFENSE

Everyone at GM knows that to get ahead and stay ahead, we have to do more than just get the fundamentals like quality right. We have to play offense with great products and exceptional value.

For example, in 2013 and early 2014, we announced that GMC and Chevrolet will reenter the mid-size pickup segment in the United States by leveraging one of our global truck architectures. This is a segment that our domestic competitors abandoned. But we think there are plenty of customers ready for great-looking, very capable and fuel-efficient designs. The vehicles – the Chevrolet Colorado and GMC Canyon – launch this fall.

Transforming Cadillac into a global luxury brand is another priority. That's why we are simultaneously expanding our product portfolio and building a dedicated plant in Shanghai to serve the Chinese market, which we believe will be the largest

luxury market in the world by the end of the decade. We broke ground on this facility in 2013, and it is one of several investments that we expect will increase our capacity in China to about 5 million units within a few years.

## DRIVING INNOVATION

Another thing all great companies do is innovate, and GM is now doing a much better job of stretching for breakthroughs and creating significant positive change for customers.

Our global connected car strategy is a case in point. Our OnStar business was a pioneer of the connected car, and it turned three simple buttons – one for calls, one for directions and one for emergencies – into a very successful business with close to 7 million subscribers in the United States, Canada, China and Mexico.

BUICK ENCORE

**62,000**  
UNITS



global sales of  
100,000 units –  
including 62,000  
in China

2014 BUICK ENCORE







2015 GMC CANYON



2015 CHEVROLET COLORADO

#### BROADBAND



**4G LTE**

rolls out this year  
in U.S. and Canada

Now Opel is planning to introduce OnStar across its passenger car range in selected European markets beginning in 2015. In addition, we are preparing to take OnStar beyond safety and security to an entirely new level of performance and redefine what it means to be connected.

In early 2013, we announced the automotive industry's largest global deployment of 4G LTE high-speed mobile broadband. Our strategy will give consumers around the world superior smartphone integration, a built-in Wi-Fi hotspot and a growing portfolio of apps that can handle everything from scheduling vehicle service appointments to booking a hotel room.

The plan is for the OnStar 4G LTE rollout to start this summer in the United States and Canada on most 2015 models, and we plan to expand availability to more brands, vehicles and markets in coming years.

Every initiative I have shared so far has one goal: to help GM grow profitably around the world. The same holds true for the

difficult decisions we made in 2013, which include actions that will end the sale of mainstream Chevrolet products in Europe after 2015, and stop the production of vehicles at our Australian operations by the end of 2017. These business units have been generating losses for years because of issues that include high production costs, lack of scale and adverse currency shifts.

Going forward, we will continue to market Holden-brand vehicles in Australia, and we will focus on Opel and Vauxhall in Europe. As hard as it is to pull back, acting now will free up resources that we can invest in other parts of the business where the risk-reward equation is better.





---

OPEL WON MORE THAN THREE DOZEN AWARDS  
FOR DESIGN, PERFORMANCE, INNOVATION  
AND VALUE IN 2013.







## OUR ULTIMATE GOAL IS TO SEE GM RANKED AMONG THE VERY BEST COMPANIES IN THE WORLD.

### LEADING GM INTO THE FUTURE

One of the principal architects of GM's success is Dan Akerson, who stepped down as chairman and CEO in January 2014 due to family reasons. Dan's GM career began on the eve of our historic IPO, and it spanned some of the most critical – and successful – years in the company's history.

I remember the day early in his tenure when Dan said emphatically, "I am not a car guy." Many people didn't know what to make of his remark because they were used to auto executives with gasoline in their veins and nicknames like "Engine Charlie."

However, history will show that Dan was the quintessential car guy because he drove us to refocus our entire organization around the customer, saying that is what the world's most successful companies do. At the same time, he changed how we operate by challenging the status quo in every area and promoting or recruiting change agents who helped us learn that past practice isn't always best practice.

Under Dan's leadership, the GM Board of Directors has become one of the strongest boards in corporate America. We've added a number of respected directors, including Tim Solso, the retired chairman and CEO of Cummins Inc., who is now GM's non-executive chairman. Tim is widely considered to be one of the world's best corporate leaders.

At Cummins, he preached profitable growth, he championed innovation and the company delivered exceptional returns to stockholders in the process. His counsel is going to be invaluable.

To be sure, we still have our share of internal and external challenges. But we know what they are and we are facing them down one after another. That's why there will be no right or left turns by today's leadership team.

In the years ahead, you can expect continued investment by GM in compelling design, innovation and an exceptional ownership experience. Simultaneously, we will continue our work to reduce internal complexity, especially in product development, drive down material and logistics costs, and fix or exit businesses that are not profitable.

We know that winning in each of these areas – not just making progress – is the best path to leadership and reaching our ultimate goal, which is to see GM ranked among the very best companies in the world.

Respectfully,



**MARY T. BARRA**

Chief Executive Officer

April 25, 2014

2014  
CHEVROLET  
MALIBU



## HIGHLIGHTS

### WORLDWIDE NET SALES & REVENUE

**\$155B**

### NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS

**\$3.8B**

### DILUTED EARNINGS PER SHARE

**\$2.38**

### COMPARISON OF CUMULATIVE TOTAL RETURN



Cumulative Value of \$100 Investment Through December 31,

11/18/2010 2010 2011 2012 2013

● General Motors Company	\$100	\$111.70	\$ 61.42	\$ 87.36	\$123.85
● S&P 500 Stock Index	\$100	\$106.94	\$109.20	\$126.68	\$167.71
● Dow Jones Automobiles & Parts Titans 30™ Index	\$100	\$104.10	\$ 87.40	\$108.68	\$144.26

Source: Bloomberg

## VEHICLE SALES AND NET REVENUE

(in millions, except per share & units)

2012

2013

### VEHICLE SALES, INCLUDING JOINT VENTURES - (000'S UNITS)

GMNA	3,019	3,234
GME	1,611	1,557
GMIO	3,616	3,886
GMSA	1,051	1,037
<b>Worldwide Vehicle Sales</b>	<b>9,297</b>	<b>9,715</b>

### FINANCIAL RESULTS

Worldwide Net Sales & Revenue	\$152,256	\$155,427
Earnings Before Interest and Income Taxes - Adjusted*	\$ 7,859	\$ 8,578
Net Income Attributable to Common Stockholders	\$ 4,859	\$ 3,770
Diluted Earnings Per Share	\$ 2.92	\$ 2.38

### AUTOMOTIVE LIQUIDITY & KEY OBLIGATIONS

#### Available Automotive Liquidity

Cash and Marketable Securities	\$ 26,121	\$ 27,919
Credit Facilities	11,119	10,404

#### Total Available Automotive Liquidity

**\$ 37,240** **\$ 38,323**

#### Key Automotive Obligations

Debt	\$ 5,172	\$ 7,137
Underfunded U.S. Pension	14,025	7,314

#### Total Automotive Obligations

**\$ 19,197** **\$ 14,451**

### ADJUSTED AUTOMOTIVE FREE CASH FLOW

Operating Cash Flow	\$ 9,631	\$ 11,021
Less: Capital Expenditures	(8,055)	(7,549)
<b>Automotive Free Cash Flow</b>	<b>1,576</b>	<b>3,472</b>
Adjustments	2,712	225
<b>Adjusted Automotive Free Cash Flow</b>	<b>\$ 4,288</b>	<b>\$ 3,697</b>

### EMPLOYMENT - YEAR END (000'S)

GMNA	101	109
GME	37	35
GMIO	39	38
GMSA	32	31
GM Financial	4	6
<b>Worldwide Employment</b>	<b>213</b>	<b>219</b>

\*Includes GM Financial on an Earnings Before Tax (EBT) basis

## GENERAL MOTORS COMPANY AND SUBSIDIARIES RECONCILIATION OF NON-GAAP MEASURES

The accompanying Letter to Stockholders includes earnings before interest and taxes adjusted for special items (EBIT-adjusted) and Adjusted automotive free cash flow which are not prepared in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) and have not been audited or reviewed by GM's independent auditors. EBIT-adjusted and Adjusted automotive free cash flow are considered non-GAAP measures.

Management believes these non-GAAP measures provide meaningful supplemental information regarding GM's operating results and liquidity because they exclude amounts that management does not consider when assessing and measuring operational and financial performance. Management believes these measures allow it to readily view operating trends, perform analytical comparisons and benchmark performance between periods and among geographic regions. GM believes these non-GAAP measures are useful in allowing for greater transparency of GM's core operations and they are therefore used by management in its financial and operational decision-making.

While management believes that these non-GAAP measures provide useful information, they are not operating measures under U.S. GAAP, and there are limitations associated with their use. GM's calculation of these non-GAAP measures may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in their method of calculation. As a result, the use of these non-GAAP measures has limitations and should not be considered in isolation from, or as a substitute for, other measures such as Net income or Net income attributable to common stockholders. Due to these limitations, these non-GAAP measures are used as a supplement to U.S. GAAP measures.

The following table summarizes the reconciliation of EBIT-adjusted to its most comparable U.S. GAAP measure (dollars in millions):

	2012	2013
<b>OPERATING SEGMENTS</b>		
GMNA <sup>(a)</sup>	\$6,470	\$7,461
GME <sup>(a)</sup>	(1,939)	(844)
GMIO <sup>(a)</sup>	2,528	1,230
GMSA <sup>(a)</sup>	457	327
GM Financial <sup>(b)</sup>	744	898
Total operating segments <sup>(b)</sup>	8,260	9,072
Corporate and eliminations	(401)	(494)
<b>EBIT-ADJUSTED<sup>(b)</sup></b>	<b>7,859</b>	<b>8,578</b>
Special items	(36,106)	(805)
Corporate interest income	343	246
Automotive interest expense	489	334
Loss on extinguishment of debt	250	212
Income tax expense (benefit)	(34,831)	2,127
<b>NET INCOME ATTRIBUTABLE TO STOCKHOLDERS</b>	<b>\$6,188</b>	<b>\$5,346</b>

(a) Interest and income taxes are recorded centrally in Corporate and therefore are not reconciling items for GM's automotive operating segments between EBIT-adjusted and Net income attributable to stockholders.

(b) GM Financial amounts represent income before income taxes.

In the year ended December 31, 2012, adjustments to automotive free cash flow included the following:

- Voluntary contributions to a pension plan of \$2.3 billion; and
- The premium paid to purchase our common stock from the United States Treasury of \$0.4 billion.

In the year ended December 31, 2013, adjustments to automotive free cash flow included the following:

- Accrued interest on the prepayment of the HCT notes of \$0.2 billion
- Pension contributions of \$0.1 billion related to the previously announced annuitization of the U.S. salaried pension plan

In the year ended December 31, 2012, special items for EBIT-adjusted included the following:

- Goodwill impairment charges of \$26.4 billion in GMNA, \$590 million in GME and \$132 million in GMIO;
- Pension settlement charges of \$2.7 billion in GMNA;
- Income related to various insurance recoveries of \$155 million in GMNA, GME, GMIO and GMSA;
- Property impairment charges of \$3.7 billion in GME;
- Intangible assets impairment charges of \$1.8 billion in GME;
- Impairment charges related to the investment in PSA of \$220 million in GME;
- A charge of \$119 million in GME to record GM Strasbourg assets and liabilities to estimated fair value;
- GM Korea hourly wage litigation charge of \$336 million in GMIO;
- Noncontrolling interests of \$68 million in GMIO related to redemption of the GM Korea mandatorily redeemable preferred shares; and
- A charge of \$402 million in Corporate which represents the premium paid to purchase our common stock from the UST.

In the year ended December 31, 2013, special items for EBIT-adjusted included the following:

- Impairment charges of property and intangible assets of \$774 million in GMIO;
- Costs related to our plans to cease mainstream distribution of Chevrolet brand in Europe of \$621 million in GMIO;
- Gain related to reversal of GM Korea wage litigation accrual of \$577 million in GMIO;
- Gain on sale of equity investment in Ally Financial of \$483 million in Corporate;
- Goodwill impairment charges of \$442 million in GMIO;
- Venezuela currency devaluation loss of \$162 million in GMSA;
- Gain on sale of equity investment in PSA of \$152 million in GME;
- Noncontrolling interests related to redemption of the GM Korea mandatorily redeemable preferred shares of \$67 million in GMIO;
- Pension settlement charges of \$56 million in GMNA;
- Charges related to PSA product development agreement of \$49 million in GMNA; and
- Income related to various insurance recoveries of \$35 million.



## BOARD OF DIRECTORS (AS OF APRIL 1, 2014)



BEGINNING ON LEFT:

**STEPHEN J. GIRSKY**

Senior Advisor, General Motors Company,  
*Joined Board 07/10/09*

**PATRICIA F. RUSSO**

Retired Chief Executive Officer, Alcatel-Lucent,  
*Joined Board 07/24/09*

**ROBERT D. KREBS**

Retired Chairman and Chief Executive Officer,  
Burlington Northern Santa Fe Corporation,  
*Joined Board 07/24/09*

**DAVID BONDERMAN**

Co-Founding Partner and Managing General  
Partner, TPG, *Joined Board 07/24/09*

**E. NEVILLE ISDELL**

Retired Chairman and Chief Executive Officer,  
The Coca-Cola Company, *Joined Board 07/10/09*

**MARY T. BARRA**

Chief Executive Officer, General Motors Company,  
*Joined Board 01/15/14*

**THEODORE M. SOLSO**

Retired Chairman and Chief Executive Officer,  
Cummins Inc., and Chairman of the Board, General  
Motors Company, *Joined Board 06/12/12*

**CAROL M. STEPHENSON**

Retired Dean, Ivey Business School, The University  
of Western Ontario, *Joined Board 07/24/09*

**JAMES J. MULVA**

Retired Chairman and Chief Executive Officer,  
ConocoPhillips, *Joined Board 06/12/12*

**DR. CYNTHIA A. TELLES**

Director, UCLA Neuropsychiatric Institute Spanish-  
Speaking Psychosocial Clinic, *Joined Board 04/13/10*

**THOMAS M. SCHOEWE**

Retired Executive Vice President and Chief Financial  
Officer, Wal-Mart Stores, Inc., *Joined Board 11/14/11*

**KATHRYN V. MARINELLO**

Senior Advisor, Ares Management LLC,  
*Joined Board 07/10/09*

NOT PICTURED:

**ERROLL B. DAVIS, JR.**

Superintendent, Atlanta Public Schools,  
*Joined Board 07/10/09*

**ADMIRAL MICHAEL G. MULLEN, USN (RET.)**

Retired Chairman, Joint Chiefs of Staff,  
*Joined Board 02/01/13*

## MANAGEMENT TEAM (AS OF APRIL 1, 2014)

**MARY T. BARRA**

Chief Executive Officer

**DANIEL AMMANN**

President

**JAIME ARDILA**

Executive Vice President & President,  
South America

**ALAN S. BATEY**

Executive Vice President & President,  
North America

**SELIM BINGOL**

Senior Vice President, Global  
Communications & Public Policy

**ALICIA BOLER-DAVIS**

Senior Vice President, Global Quality  
& Customer Experience

**JAMES B. DELUCA**

Executive Vice President,  
Global Manufacturing

**ROBERT E. FERGUSON**

Senior Vice President, Global Cadillac

**MELISSA HOWELL**

Senior Vice President,  
Global Human Resources

**STEFAN JACOBY**

Executive Vice President & President,  
Consolidated International Operations

**ANNE T. LARIN**

Secretary

**GRACE LIEBLEIN**

Vice President, Global Purchasing  
& Supply Chain

**VICTORIA MCINNIS**

Chief Tax Officer

**MICHAEL P. MILLIKIN**

Executive Vice President  
& General Counsel

**RANDALL D. MOTT**

Senior Vice President,  
Global Information Technology  
& Chief Information Officer

**DR. KARL-THOMAS NEUMANN**

Executive Vice President  
& President, Europe

**MARK L. REUSS**

Executive Vice President,  
Global Product Development,  
Purchasing and Supply Chain

**CHARLES K. STEVENS, III**

Executive Vice President  
& Chief Financial Officer

**NIHARIKA TASKAR RAMDEV**

Vice President, Finance and Treasurer

**BRIAN D. THELEN**

General Auditor

**THOMAS S. TIMKO**

Vice President, Controller  
& Chief Accounting Officer

**MATTHEW TSJEN**

Executive Vice President & President,  
GM China

**EDWARD T. WELBURN, JR.**

Vice President, Global Design

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### Market Information

Shares of our common stock have been publicly traded since November 18, 2010 when our common stock was listed and began trading on the New York Stock Exchange and the Toronto Stock Exchange. The following table summarizes the quarterly price ranges of our common stock based on high and low prices from intraday trades on the New York Stock Exchange, the principal market in which the stock is traded:

Quarter	Years Ended December 31,			
	2013		2012	
	High	Low	High	Low
First .....	\$ 30.68	\$ 26.19	\$ 27.68	\$ 20.75
Second .....	\$ 35.49	\$ 27.11	\$ 27.03	\$ 19.24
Third .....	\$ 37.97	\$ 33.41	\$ 25.15	\$ 18.72
Fourth .....	\$ 41.85	\$ 33.92	\$ 28.90	\$ 22.67

### Holders

At January 30, 2014 we had a total of 1.6 billion issued and outstanding shares of common stock held by 403 holders of record.

### Dividends

So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. Our secured revolving credit facilities contain certain restrictions on our ability to pay dividends on our common stock, subject to exceptions, such as dividends payable solely in shares of our common stock. At December 31, 2013 there were no dividends in arrears on our Series A Preferred Stock.

Since our formation, we had not paid any dividends on our common stock through the year ended December 31, 2013. In January 2014 our Board of Directors declared a dividend on common stock in the amount of \$0.30 per share payable in March 2014. It is anticipated that dividends on our common stock will be declared and paid quarterly subsequent to the initial dividend declaration. However our payment of dividends in the future, if any, will be determined by our Board of Directors and will be paid out of funds legally available for that purpose. Our payment of dividends in the future will depend on business conditions, our financial condition, earnings, liquidity and capital requirements, the covenants in our secured revolving credit facilities and other factors.

\* \* \* \* \*



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### Selected Financial Data

Pursuant to the agreement with the Securities and Exchange Commission (SEC), as described in a no-action letter issued to Old GM by the SEC Staff on July 9, 2009 regarding our filing requirements, the selected financial data below includes the selected financial data of Old GM as it is the Predecessor entity solely for accounting and financial reporting purposes. At July 10, 2009 we applied fresh-start reporting following the guidance in Accounting Standards Codification (ASC) 852, "Reorganizations". The consolidated financial statements for the periods ended on or before July 9, 2009 do not include the effect of any changes in the fair value of assets or liabilities as a result of the application of fresh-start reporting. Our financial information at and for any period after July 10, 2009 is not comparable to Old GM's financial information. Selected financial data is summarized in the following table (dollars in millions except per share amounts):

	Successor					Predecessor
	Years Ended December 31,				July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009
	2013	2012	2011	2010		
<b>Income Statement Data:</b>						
Total net sales and revenue (a) . . . . .	\$ 155,427	\$ 152,256	\$ 150,276	\$ 135,592	\$ 57,474	\$ 47,115
Reorganization gains, net (b) . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 128,155
Income (loss) from continuing operations . . . . .	\$ 5,331	\$ 6,136	\$ 9,287	\$ 6,503	\$ (3,786)	\$ 109,003
Net (income) loss attributable to noncontrolling interests . . . . .	15	52	(97)	(331)	(511)	115
Net income (loss) attributable to stockholders (c) . . . . .	\$ 5,346	\$ 6,188	\$ 9,190	\$ 6,172	\$ (4,297)	\$ 109,118
Net income (loss) attributable to common stockholders . . . . .	\$ 3,770	\$ 4,859	\$ 7,585	\$ 4,668	\$ (4,428)	\$ 109,118
Basic earnings (loss) per common share (d) . . . . .	\$ 2.71	\$ 3.10	\$ 4.94	\$ 3.11	\$ (3.58)	\$ 178.63
Diluted earnings (loss) per common share (d) . . . . .	\$ 2.38	\$ 2.92	\$ 4.58	\$ 2.89	\$ (3.58)	\$ 178.55
<b>Balance Sheet Data (as of period end):</b>						
Total assets (a) . . . . .	\$ 166,344	\$ 149,422	\$ 144,603	\$ 138,898	\$ 136,295	
Automotive notes and loans payable (e) . . . . .	\$ 7,137	\$ 5,172	\$ 5,295	\$ 4,630	\$ 15,783	
GM Financial notes and loans payable (a) . . . . .	\$ 29,046	\$ 10,878	\$ 8,538	\$ 7,032		
Series A Preferred Stock (f) . . . . .	\$ 3,109	\$ 5,536	\$ 5,536	\$ 5,536	\$ 6,998	
Series B Preferred Stock (g) . . . . .	\$ —	\$ 4,855	\$ 4,855	\$ 4,855		
Equity (h) . . . . .	\$ 43,174	\$ 37,000	\$ 38,991	\$ 37,159	\$ 21,957	

- (a) General Motors Financial Company, Inc (GM Financial) was consolidated effective October 1, 2010. GM Financial acquired Ally Financial, Inc's (Ally Financial) international operations in Europe and Latin America in the year ended December 31, 2013.
- (b) In the period January 1, 2009 through July 9, 2009 Old GM recorded Reorganization gains, net of \$128.2 billion directly associated with filing of certain of its direct and indirect subsidiaries voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York, a Section 363 sale under Chapter 11 of the U.S. Bankruptcy Code (363 Sale) of Old GM and certain of its direct and indirect subsidiaries and the application of fresh-start reporting.
- (c) In the year ended December 31, 2012 we recorded Goodwill impairment charges of \$27.1 billion, the reversal of deferred tax valuation allowances of \$36.3 billion in the U.S. and Canada, pension settlement charges of \$2.7 billion and GM Europe (GME) long-lived asset impairment charges of \$5.5 billion.
- (d) In the years ended December 31, 2012 and 2011 we used the two-class method for calculating earnings per share as the Series B Preferred Stock was a participating security due to the applicable market value of our common stock being below \$33.00 per common share. Refer to Note 22 to our consolidated financial statements for additional detail.
- (e) In December 2010 GM Korea Company (GM Korea) terminated its \$1.2 billion credit facility following the repayment of the remaining \$1.0 billion under the facility.
- (f) In September 2013 we purchased 120 million shares of our Series A Preferred Stock held by the UAW Retiree Medical Benefits Trust (New VEBA) for \$3.2 billion. In December 2010 we purchased 84 million shares from the UST for \$2.1 billion.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

- (g) In December 2013 all of our Series B Preferred Stock automatically converted into 137 million shares of our common stock. Our Series B Preferred Stock was issued in a public offering in November and December 2010.
- (h) In December 2012 we purchased 200 million shares of our common stock for a total of \$5.5 billion, which directly reduced shareholder's equity by \$5.1 billion and we recorded a charge to earnings of \$0.4 billion. Our Series A Preferred Stock was reclassified from temporary equity to permanent equity in the year ended December 31, 2010.

\* \* \* \* \*

### Management's Discussion and Analysis of Financial Condition and Results of Operations

General Motors Company (sometimes referred to as "we," "our," "us," "ourselves," the "Company," "General Motors," or "GM") was incorporated as a Delaware corporation in 2009 and on July 10, 2009 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation through the 363 Sale. General Motors Corporation is sometimes referred to in this Annual Report on Form 10-K (2013 Form 10-K), for the periods on or before July 9, 2009, as "Old GM," as it is the predecessor entity solely for accounting and financial reporting purposes. On July 10, 2009 in connection with the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Company, which is sometimes referred to in this 2013 Form 10-K for the periods after July 10, 2009 as "MLC." On December 15, 2011 MLC was dissolved and the Motors Liquidation Company GUC Trust (GUC Trust) assumed responsibility for the affairs of and certain claims against MLC and its debtor subsidiaries that were not concluded prior to MLC's dissolution. MLC transferred to the GUC Trust all of MLC's remaining undistributed shares of our common stock and warrants to acquire our common stock.

### Basis of Presentation

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the accompanying consolidated financial statements. We analyze the results of our business through our five segments: GM North America (GMNA), GME, GM International Operations (GMIO), GM South America (GMSA) and GM Financial. Consistent with industry practice, market share information includes estimates of industry sales in certain countries where public reporting is not legally required or otherwise available on a consistent basis.

In the three months ended March 31, 2013 we changed our managerial and financial reporting structure to measure our reportable segments revenue and profitability based on the geographic area in which we sell vehicles to third party customers. We have retrospectively revised the segment presentation for all periods presented. Refer to Note 25 to our consolidated financial statements for additional information on this change.

### Overview

#### *Automotive*

Our vision is to design, build and sell the world's best vehicles. The primary elements of our strategy to achieve this vision are to:

- Deliver a product portfolio of the world's best vehicles that includes cars, crossovers and trucks, allowing us to maximize sales under any market condition;
- Sell our vehicles globally by targeting developed markets, which are projected to have increases in vehicle demand as the global economy recovers, and further strengthening our position in high growth emerging markets;
- Improve revenue realization and maintain a competitive cost structure to allow us to remain profitable at lower industry volumes and across the lifecycle of our product portfolio;
- Maintain a strong balance sheet by reducing financial leverage given the high operating leverage of our business model; and
- Ensure that our dealers and customers have consistently available, transparent and competitive financing options through GM Financial and other providers.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

We are committed to leadership in vehicle design, quality, reliability, telematics and infotainment and safety, as well as to developing key energy efficiency, energy diversity and advanced propulsion technologies, including electric vehicles. Our business is diversified across products and geographic markets. We meet the local sales and service needs of our retail and fleet customers with a global network of independent dealers.

### *GMNA*

GMNA has sales, manufacturing and distribution operations in the U.S., Canada and Mexico and sales and distribution operations in Central America and the Caribbean. GMNA represented 51.1% of our wholesale vehicle sales volume in 2013 and we had the largest market share, based upon retail vehicle sales, in North America at 16.9%. We grew our retail market share in all four brands as compared to 2012. Our market share growth was driven in part by the success of several product launches during the year, most notably the Corvette Stingray, Chevrolet Impala, Cadillac CTS and the all-new Chevrolet Silverado and GMC Sierra full-size trucks. Our products in the region continued to receive recognitions of excellence including the most initial quality awards as determined by JD Power and Associates as compared to any other automotive manufacturer in 2013.

### *GME*

GME has sales, manufacturing and distribution operations across Western and Central Europe. GME's wholesale vehicle sales volume, which in addition to Western and Central Europe, includes Eastern Europe (including Russia and the other members of the Commonwealth of Independent States among others) represented 16.3% of our wholesale vehicle sales volume in 2013. In 2013 we estimate we had the number four market share, based upon retail vehicle sales, in Europe at 8.3%. GMIO distributed Chevrolet brand vehicles in Europe. These vehicles are reported within market share for Europe, but wholesale vehicle sales volume is recorded by GMIO. Our European operations continue to show signs of improvement underscored by our first Opel and Vauxhall market share increase in 14 years. This market share increase was partially driven by the successful launches of the Opel Mokka, ADAM and Cascadia during 2013. Our focus on successfully executing product launches and containing costs has in part contributed to significant year-over-year reduction in EBIT (loss)-adjusted.

In an effort to rationalize our manufacturing footprint in GME, we reached agreement with the labor union in Germany to terminate all vehicle and transmission production at our Bochum, Germany facility by the end of 2014. Affected employees will be eligible for a voluntary restructuring separation program. Restructuring charges will be recorded primarily through 2014. Refer to Note 19 to our consolidated financial statements for additional information.

### *GMIO*

GMIO has sales, manufacturing and distribution operations in Asia/Pacific, the Middle East, Africa and Eastern Europe (including Russia and the other members of the Commonwealth of Independent States among others). GMIO represented 16.2% of our wholesale vehicle sales volume in 2013. The Asia/Pacific, Middle East and Africa region is our largest region by retail vehicle sales volume and represented 40.0% of our global retail vehicle sales volume in 2013. In 2013 we estimate we had the number two market share, based upon retail vehicle sales, in Asia/Pacific, Middle East and Africa at 9.5%. In 2013 we had market share of 14.3% in China. GMIO records the wholesale unit volume and financial results of Chevrolet brand vehicles that it distributes and sells in Europe. Our international operations' results were highlighted by our continued strength in China where we sold over 3 million vehicles. Our strength in the market was in part driven by the successful launches of the new Cadillac XTS, the refreshed Buick LaCrosse and Regal and certain Wuling branded vehicles, as well as continued strong sales of the Buick Encore and Buick Excelle. Our Buick brand continues to be our strongest brand in China with 810,000 vehicles sold in 2013 an increase of 16% from the prior year. In addition we have been making investments in our Cadillac brand in China which included a new assembly plant in Shanghai.

We are addressing many of the challenges in our GMIO operations and have performed strategic assessments on the performance and the manner in which we operate in certain countries. While we are continuing our strategic assessments we announced plans to discontinue offering mainstream Chevrolet vehicles in Europe in 2015 and recorded asset impairment and restructuring charges; announced plans to cease manufacturing at GM Holden Ltd., our subsidiary in Australia (Holden), and recorded asset impairment and

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

restructuring charges; recorded asset impairment charges at General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively GM India) and impaired our remaining goodwill in GMIO. Refer to the “GM International Operations” section of MD&A and Notes 9, 10 and 19 to our consolidated financial statements for additional information.

Our GM Korea subsidiary has continuing litigation with more than 10,000 current and former employees over the definition of ordinary wages. As a result of the recent Supreme Court of the Republic of Korea’s favorable decision on a very similar wage litigation case involving another company we now believe an unfavorable outcome on our case given the new precedent is no longer probable and we reversed certain accruals for our cases. Refer to Note 17 to our consolidated financial statements for additional information.

### *GMSA*

GMSA has sales, manufacturing, distribution and/or financing operations in Brazil, Argentina, Colombia, Ecuador and Venezuela as well as sales and distribution operations in Bolivia, Chile, Paraguay, Peru and Uruguay. GMSA represented 16.4% of our wholesale vehicle sales volume in 2013. In 2013 GMSA derived 63.5% of its wholesale vehicle sales volume from Brazil. In 2013 we estimate we had the number one market share, based upon retail vehicle sales, in South America at 17.5% and the number three market share, based upon retail vehicle sales, in Brazil at 17.3%. Despite foreign currency pressures and challenging political environments across the region, our South American operations experienced continued profitability in 2013 that was driven in part by successful product launches including the Chevrolet Onix, Prisma and Tracker. We have further addressed our cost structure through restructuring efforts and multi-year labor agreements in Brazil.

Our Venezuelan operations highlight some of the foreign currency and political pressures. In 2013 the Venezuelan government announced a change in the official fixed exchange rate which resulted in devaluation charges during the year. In addition to currency controls already in place, the Venezuelan government announced pricing controls that, taken with other initiatives, require us to closely monitor and consider our ability to manage and control our Venezuelan subsidiaries. Refer to the “GM South America” section of MD&A for additional information.

### *Corporate*

We continue to focus on strengthening our balance sheet. Initiatives during 2013 included lowering our cost of capital and increased financial flexibility by issuing \$4.5 billion in aggregate principal amount of senior unsecured notes. We used proceeds from the issuance to prepay notes issued to the Canadian Health Care Trust (HCT) and to purchase 120 million shares of our Series A Preferred Stock from the New VEBA. Refer to Notes 14 and 21 to our consolidated financial statements for additional information.

As part of an effort to release capital from non-core assets and further enhance our financial flexibility we sold our common equity ownership in Ally Financial and our seven percent equity interest in Peugeot S.A. (PSA) held by GME. Refer to Notes 5 and 12 to our consolidated financial statements for additional information.

The United States Treasury divested its remaining ownership stake in our common stock. Also, all of our shares of Series B Preferred Stock mandatorily converted into 137 million shares of our common stock and will result in future annual cash preferred stock dividend savings. Refer to Note 21 to our consolidated financial statements for additional information.

Through ongoing discussions with taxing authorities we remeasured an uncertain tax position resulting in a tax benefit that will reduce future cash taxes.

Our collective actions during 2013 have helped us achieve investment grade status with a rating agency and we were added to the Standard & Poor’s (S&P) 500.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### Automotive Outlook

We anticipate the 2014 global automotive industry to be up approximately 2% over 2013 or about 85 million vehicles. For 2014 we expect our biggest challenges will be associated with unfavorable foreign currency pressures and planned global restructuring charges of up to \$1.1 billion. However we expect to substantially offset these challenges with favorable pricing and by leveraging our continued strength in North America and China. We continue to progress toward our target of mid- to high-single digit margins for mid-decade and expect our 2014 EBIT-adjusted margins to be comparable to 2013. We are also committed to returning capital to our common stockholders and in January 2014 our Board of Directors declared a dividend on common stock in the amount of \$0.30 per share payable in March 2014.

### Automotive Financing — GM Financial

GM Financial purchases automobile finance contracts originated by GM and non-GM franchised and select independent dealers in connection with the sale of used and new automobiles. GM Financial also offers a lease financing product for new GM vehicles and a commercial lending program for GM-franchised dealerships. GM Financial's lending products in North America are primarily offered to consumers who typically are unable to obtain financing from traditional sources such as banks and credit unions. GM Financial utilizes a proprietary credit scoring system to differentiate credit applications and to statistically rank-order credit risk in terms of expected default rates, which enables it to evaluate credit applications for approval and tailor loan and lease pricing and structure. GM Financial services its loan and lease portfolios at regional centers using automated servicing and collection systems. Funding for our auto finance activities is primarily obtained through the utilization of our credit facilities and through securitization transactions.

In November 2012 GM Financial entered into agreements with Ally Financial to acquire Ally Financial's automotive finance and financial services businesses in Europe and Latin America and Ally Financial's equity interest in GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC) that conducts automotive finance and financial services operations in China. The acquisitions will allow GM Financial to support our dealers in markets comprising approximately 80% of our global sales. In the year ended December 31, 2013 GM Financial completed the acquisitions of the operations in Europe and Latin America for \$3.3 billion. GM Financial's acquisition of Ally Financial's equity interest in GMAC-SAIC is subject to certain regulatory and other approvals and is expected to close in 2014 for approximately \$0.9 billion. Refer to Note 3 to our consolidated financial statements for additional information on these acquisitions.

## Consolidated Results

### Total Net Sales and Revenue (Dollars in Millions)

	Years Ended December 31,		Year Ended 2013 vs. 2012 Change		Variance Due To				
	2013	2012	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Automotive	\$ 152,092	\$ 150,295	\$ 1,797	1.2%	\$ (0.2)	\$ 1.7	\$ 2.2	\$ (1.9)	\$ 1.8
GM Financial	3,335	1,961	1,374	70.1%	—	—	—	1.4	1.4
Total net sales and revenue	<u>\$ 155,427</u>	<u>\$ 152,256</u>	<u>\$ 3,171</u>	<u>2.1%</u>	<u>\$ (0.2)</u>	<u>\$ 1.7</u>	<u>\$ 2.2</u>	<u>\$ (0.5)</u>	<u>\$ 3.2</u>

  

	Years Ended December 31,		Year Ended 2012 vs. 2011 Change		Variance Due To				
	2012	2011	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Automotive	\$ 150,295	\$ 148,866	\$ 1,429	1.0%	\$ 2.1	\$ 3.0	\$ 1.6	\$ (5.3)	\$ 1.4
GM Financial	1,961	1,410	551	39.1%	—	—	—	0.6	0.6
Total net sales and revenue	<u>\$ 152,256</u>	<u>\$ 150,276</u>	<u>\$ 1,980</u>	<u>1.3%</u>	<u>\$ 2.1</u>	<u>\$ 3.0</u>	<u>\$ 1.6</u>	<u>\$ (4.7)</u>	<u>\$ 2.0</u>

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

In the year ended December 31, 2013 Automotive Total net sales and revenue increased due primarily to: (1) favorable vehicle pricing effect due primarily to GMNA of \$1.9 billion; (2) favorable vehicle mix due primarily to GMNA of \$1.3 billion and GMSA of \$0.6 billion; partially offset by (3) Other of \$1.9 billion due primarily to unfavorable net foreign currency effect of \$2.3 billion due from the weakening of the Brazilian Real, Argentinian Peso and Venezuela Bolivar Fuerte against the U.S. Dollar; partially offset by increased other revenue of \$0.4 billion due primarily to increases in OnStar, LLC and parts and accessories revenue; and (4) decreased wholesale volumes.

In the year ended December 31, 2013 GM Financial Total sales and revenue increased due primarily to: (1) increased finance charge income of \$1.0 billion due to growth in the portfolio resulting from the acquisition of Ally Financial's international operations and increased originations; and (2) increased leased vehicle income of \$0.3 billion due to the increased size of the leased asset portfolio.

In the year ended December 31, 2012 Automotive Total net sales and revenue increased due primarily to: (1) favorable vehicle mix due primarily to GMSA of \$1.6 billion, GMNA of \$0.7 billion and GME of \$0.4 billion; (2) increased wholesale volumes due primarily to GMNA of \$3.8 billion and GMIO of \$1.4 billion; partially offset by decreases in GME of \$2.4 billion and GMSA of \$0.6 billion; (3) favorable vehicle pricing effect due primarily to GMIO of \$0.8 billion, GMNA of \$0.5 billion and GMSA of \$0.5 billion; partially offset by (4) Other of \$5.3 billion due primarily to unfavorable net foreign currency effect of \$3.7 billion due primarily to the weakening of the Brazilian Real, Euro, Korean Won, Argentinian Peso and South African Zar against the U.S. Dollar; decreased revenues from powertrain and parts sales of \$0.7 billion due to decreased volumes; reduction in favorable lease residual adjustments of \$0.5 billion; decreased revenues from rental car leases of \$0.2 billion; and decreased revenues due to the deconsolidation of VM Motori (VMM) in June 2011 of \$0.1 billion.

In the year ended December 31, 2012 GM Financial Total sales and revenue increased due primarily to: (1) increased finance charge income of \$0.3 billion, due to a larger portfolio; and (2) increased leased vehicles income of \$0.2 billion due to the increased size of the leased asset portfolio.

### Automotive Cost of Sales

	Years Ended December 31,		Year Ended 2013 vs. 2012 Change		Variance Due To			
	2013	2012	Favorable/ (Unfavorable)	%	Volume	Mix	Other	Total
	(Dollars in millions)				(Dollars in billions)			
Automotive cost of sales	\$ 134,925	\$ 140,236	\$ 5,311	3.8%	\$ 0.3	\$ (2.3)	\$ 7.3	\$ 5.3
Automotive gross margin	\$ 17,167	\$ 10,059	\$ 7,108	70.7%				

  

	Years Ended December 31,		Year Ended 2012 vs. 2011 Change		Variance Due To			
	2012	2011	Favorable/ (Unfavorable)	%	Volume	Mix	Other	Total
	(Dollars in millions)				(Dollars in billions)			
Automotive cost of sales	\$ 140,236	\$ 130,386	\$ (9,850)	(7.6)%	\$ (0.9)	\$ (3.8)	\$ (5.2)	\$ (9.9)
Automotive gross margin	\$ 10,059	\$ 18,480	\$ (8,421)	(45.6)%				

The most significant element of our Automotive cost of sales is material cost which makes up approximately two-thirds of the total amount excluding adjustments. The remaining portion includes labor costs, depreciation and amortization, engineering, and policy, product warranty and recall campaigns.

In the year ended December 31, 2013 Automotive cost of sales decreased due primarily to: (1) Other of \$7.3 billion due to decreased impairment charges of \$2.8 billion for long-lived assets and intangible assets; decreased pension settlement losses of \$2.5 billion; the favorable effect of \$1.3 billion resulting from the reversal of the Korea wage litigation accrual in 2013 compared to accruals related to the litigation in 2012; favorable net foreign currency effect of \$0.9 billion due primarily to the weakening of the Brazilian Real against the U.S. Dollar; and reduction in unfavorable warranty and policy adjustments of \$0.7 billion; partially offset



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

by increased material and freight costs of \$0.4 billion; increased costs of \$0.2 billion related to parts and accessories sales; and net increased manufacturing expenses of \$0.1 billion due primarily to new launch costs offset by reduced depreciation and amortization; (2) decreased costs related to decreased wholesale volumes; partially offset by (3) unfavorable vehicle mix due primarily to GMNA of \$1.3 billion, GMSA of \$0.4 billion and GMIO of \$0.4 billion.

In the year ended December 31, 2012 Automotive cost of sales increased due primarily to: (1) Other of \$5.2 billion due primarily to increased employee costs of \$4.1 billion including increased pension settlement losses and decreased net pension and other postretirement benefits (OPEB) income and separation costs; impairment charges of \$3.7 billion for long-lived assets and intangible assets; increased manufacturing expense of \$1.4 billion due to new launches; increased policy and product warranty expense of \$0.2 billion; partially offset by favorable net foreign currency effect of \$3.3 billion due primarily to the weakening of the Brazilian Real, Euro, Korean Won, Argentinian Peso and South African Zar against the U.S. Dollar; decreased engineering expense of \$0.5 billion; decreased costs of \$0.3 billion related to powertrain and parts sales; and decreased costs of \$0.1 billion due to the deconsolidation of VMM in June 2011; (2) unfavorable vehicle mix due primarily to GMNA of \$1.3 billion, GMSA of \$1.2 billion and GME of \$0.8 billion; and (3) increased costs related to increased wholesale volumes due primarily to GMNA of \$2.7 billion; partially offset by a decrease in GME of \$1.9 billion.

### *GM Financial Operating and Other Expenses*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
GM Financial operating and other expenses . . . . .	\$ 2,448	\$ 1,207	\$ 785	\$ 1,241	102.8%	\$ 422	53.8%

In the year ended December 31, 2013 GM Financial operating and other expenses increased primarily due to: (1) an increase in interest expense of \$0.4 billion due to higher average debt outstanding in 2013 compared to 2012, primarily resulting from the acquisition of Ally Financial's international operations; (2) an increase in employee and other operating costs of \$0.4 billion due primarily to the acquisition of Ally Financial's international operations and an increase in headcount; (3) an increase in the provision for loan losses of \$0.2 billion due primarily to growth of the consumer loan portfolio; and (4) an increase in depreciation expense of \$0.2 billion due primarily to the increased size of the leased asset portfolio.

In the year ended December 31, 2012 GM Financial operating and other expenses increased primarily due to: (1) an increase in depreciation expense of \$0.1 billion due to the increased size of the leased asset portfolio; (2) an increase in the provision for loan losses of \$0.1 billion due primarily to growth of the consumer loan portfolio; (3) an increase in interest expense of \$0.1 billion due to higher average debt outstanding in 2012 compared to 2011; and (4) an increase in employee costs of \$0.1 billion due primarily to a 9% increase in employee headcount to support growth in GM Financial's business.

### *Automotive Selling, General and Administrative Expense*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Automotive selling, general and administrative expense . . . . .	\$ 12,382	\$ 14,031	\$ 12,163	\$ (1,649)	(11.8)%	\$ 1,868	15.4%

In the year ended December 31, 2013 Automotive selling, general and administrative expense decreased due primarily to: (1) impairment charges in GME for intangibles and long-lived assets of \$1.8 billion that occurred in 2012 but not in 2013; and (2) a premium paid of \$0.4 billion on the common stock purchase from the UST that occurred in 2012 but not in 2013; partially offset by (3) costs related to our plans to cease mainstream distribution of Chevrolet brand in Europe of \$0.5 billion.

In the year ended December 31, 2012 Automotive selling, general and administrative expense increased due primarily to: (1) impairment charges in GME for intangibles and long-lived assets of \$1.8 billion; and (2) a premium paid of \$0.4 billion on the common stock purchase from the UST; partially offset by (3) favorable net foreign currency effect of \$0.3 billion due to the weakening of certain currencies against the U.S. Dollar.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### *Goodwill Impairment Charges*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Goodwill impairment charges	\$ 541	\$ 27,145	\$ 1,286	\$ (26,604)	(98.0)%	\$ 25,859	n.m.

n.m. = not meaningful

In the year ended December 31, 2013 Goodwill impairment charges decreased as we recorded charges of \$0.5 billion in GMIO in 2013 as compared to charges of \$26.4 billion, \$0.6 billion and \$0.2 billion in GMNA, GME and GMIO in 2012. Refer to Note 10 to our consolidated financial statements for additional information related to our Goodwill impairment charges.

In the year ended December 31, 2012 the Goodwill impairment charges increased as we recorded charges of \$26.4 billion, \$0.6 billion and \$0.2 billion in GMNA, GME and GMIO in 2012 as compared to charges of \$1.0 billion and \$0.3 billion in GME and GMIO in 2011. Refer to Note 10 to our consolidated financial statements for additional information related to our Goodwill impairment charges.

### *Automotive Interest Expense*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Automotive interest expense	\$ 334	\$ 489	\$ 540	\$ (155)	(31.7)%	\$ (51)	(9.4)%

In the year ended December 31, 2013 Automotive interest expense decreased due primarily to the redemption of GM Korea's preferred shares in December 2012 and April 2013.

In the year ended December 31, 2012 the decrease in Automotive interest expense was insignificant, as the composition of our debt and related interest rates did not change significantly compared to 2011.

### *Interest Income and Other Non-Operating Income, net*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Interest income and other non-operating income, net	\$ 1,063	\$ 845	\$ 851	\$ 218	25.8%	\$ (6)	(0.7)%

In the year ended December 31, 2013 Interest income and other non-operating income, net increased due primarily to: (1) a gain of \$0.5 billion related to the sale of our Ally Financial investment in 2013; and (2) favorable effect of \$0.4 billion due to a \$0.2 billion gain on the sale of the PSA stock in 2013 compared to a \$0.2 billion impairment charge in 2012; partially offset by (3) unfavorable \$0.2 billion foreign currency effect related to intercompany foreign currency denominated loans; (4) decreased insurance recoveries of \$0.1 billion; (5) decreased interest income of \$0.1 billion; (6) decreased gain on the sale of machinery and equipment of \$0.1 billion; and (7) unfavorable effect of \$0.1 billion gain on the purchase of GMAC de Venezuela in 2012 that did not occur in 2013.

In the year ended December 31, 2012 Interest income and other non-operating income, net remained flat due primarily to: (1) a gain of \$0.3 billion related to the sale of our Ally Financial preferred stock in 2011 which did not recur in 2012; (2) an impairment charge of \$0.2 billion related to our investment in PSA; (3) a charge of \$0.1 billion to record General Motors Strasbourg S.A.S. (GMS) assets and liabilities to estimated fair value; (4) decreased interest income of \$0.1 billion; and (5) derivative losses of \$0.1 billion related to fair value adjustments; offset by (6) an impairment charge of \$0.6 billion related to our investment in Ally Financial common stock in 2011 which did not recur in 2012; and (7) income related to insurance recoveries of \$0.2 billion.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### *Gain (Loss) on Extinguishment of Debt*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Gain (loss) on extinguishment of debt	\$ (212)	\$ (250)	\$ 18	\$ 38	15.2%	\$ (268)	n.m.

n.m. = not meaningful

In the years ended December 31, 2013 and December 31, 2012 we recorded losses on extinguishment of debt primarily related to the early redemption of the GM Korea redeemable preferred shares.

### *Equity Income and Gain on Investments*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
China joint ventures (China JVs)	\$ 1,763	\$ 1,521	\$ 1,511	\$ 242	15.9%	\$ 10	0.7%
New Delphi (including gain on disposition)	—	—	1,727	—	n.m.	(1,727)	n.m.
Others	47	41	(46)	6	14.6%	87	n.m.
Total equity income and gain on investments	\$ 1,810	\$ 1,562	\$ 3,192	\$ 248	15.9%	\$ (1,630)	(51.1)%

n.m. = not meaningful

In the year ended December 31, 2013 Equity income and gain on investments increased due primarily to a \$0.2 billion increase in earnings of our China JVs.

In the year ended December 31, 2012 Equity income and gain on investments decreased due primarily to a \$1.6 billion gain related to the sale of our Delphi Automotive LLP (New Delphi) Class A Membership Interests and related equity income for the year ended December 31, 2011 that did not recur for the year ended December 31, 2012.

### *Income Tax Expense (Benefit)*

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Income tax expense (benefit)	\$ 2,127	\$ (34,831)	\$ (110)	\$ 36,958	n.m.	\$ (34,721)	n.m.

n.m. = not meaningful

In the year ended December 31, 2013 our effective tax rate was 28.5%. Income tax expense increased due primarily to the deferred tax asset valuation allowance reversal of \$36.3 billion in the U.S. and Canada that occurred in 2012.

In the year ended December 31, 2012 income tax benefit increased due primarily to: (1) deferred tax asset valuation allowance reversals of \$36.3 billion in the U.S. and Canada in 2012 as compared to \$0.5 billion in Australia in 2011; and (2) change in U.S. federal tax elections which permitted us to record a tax benefit of \$1.1 billion related to foreign tax credits; partially offset by (3) current year U.S. income tax provision of \$1.4 billion; and (4) income tax allocation from Accumulated other comprehensive loss to Income tax expense (benefit) of \$0.6 billion related to the U.S. salary pension plan.

Refer to Note 18 to our consolidated financial statements for additional information related to our income tax expense (benefit).

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### Reconciliation of Consolidated, Automotive and GM Financial Segment Results

#### *Non-GAAP Measures*

Management believes earnings before interest and tax (EBIT)-adjusted provides meaningful supplemental information regarding our automotive segments' operating results because it excludes interest income, interest expense and income taxes as well as certain additional adjustments. Such adjustments include impairment charges related to goodwill, other long-lived assets under certain circumstances and certain investments, gains or losses on the settlement/extinguishment of obligations and gains or losses on the sale of non-core investments.

Management believes free cash flow and adjusted free cash flow provide meaningful supplemental information regarding the liquidity of our automotive operations and our ability to generate sufficient cash flow above those required in our business to sustain our operations. We measure free cash flow as cash flow from operations less capital expenditures. We measure adjusted free cash flow as free cash flow adjusted for management actions, primarily related to strengthening our balance sheet, such as accrued interest on prepayments of debt and voluntary contributions to employee benefit plans.

Management believes these measures allow it to readily view operating trends, perform analytical comparisons and benchmark performance between periods and among geographic regions. We believe these non-GAAP measures are useful in allowing for greater transparency of our core operations and are therefore used by management in its financial and operational decision-making. Management does not consider the excluded items when assessing and measuring the operational and financial performance of the organization, its management teams and when making decisions to allocate resources, such as capital investment, among business units and for internal reporting and as part of its forecasting and budgeting processes.

While management believes that these non-GAAP measures provide useful information, they are not operating measures under U.S. GAAP and there are limitations associated with their use. Our calculation of these non-GAAP measures may not be comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result the use of these non-GAAP measures has limitations and should not be considered in isolation from, or as a substitute for, other measures such as Net income, Net income attributable to stockholders or operating cash flow. Due to these limitations, these non-GAAP measures are used as supplements to U.S. GAAP measures.

Management believes income before income taxes provides meaningful supplemental information regarding GM Financial's operating results. GM Financial uses a separate measure from our automotive operations because management believes interest income and interest expense are part of operating results when assessing and measuring the operational and financial performance of the segment.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The following tables summarize the reconciliation of our automotive segments EBIT-adjusted and GM Financial's income before income taxes to Net income attributable to stockholders and provides supplemental detail of the adjustments, which are presented net of noncontrolling interests (dollars in millions):

	Years Ended December 31,					
	2013		2012		2011	
<b>Automotive</b>						
<b>EBIT-adjusted</b>						
GMNA . . . . .	\$ 7,461	97.1%	\$ 6,470	90.9%	\$ 6,779	88.2%
GME . . . . .	(844)	(11.0)%	(1,939)	(27.2)%	(1,041)	(13.6)%
GMIO . . . . .	1,230	16.0%	2,528	35.5%	2,232	29.1%
GMSA . . . . .	327	4.3%	457	6.4%	158	2.1%
Corporate and eliminations . . . . .	(494)	(6.4)%	(400)	(5.6)%	(446)	(5.8)%
Total automotive EBIT-adjusted . . . . .	7,680	100.0%	7,116	100.0%	7,682	100.0%
Adjustments . . . . .	(790)		(36,106)		861	
Corporate interest income . . . . .	249		343		455	
Automotive interest expense . . . . .	338		489		540	
Loss on extinguishment of debt . . . . .	212		250		—	
<b>Automotive Financing</b>						
GM Financial income before income taxes . . . . .	898		744		622	
Adjustments . . . . .	(15)		—		—	
<b>Consolidated</b>						
Eliminations . . . . .	1		(1)		—	
Income tax expense (benefit) . . . . .	2,127		(34,831)		(110)	
<b>Net income attributable to stockholders</b> . . . . .	\$ 5,346		\$ 6,188		\$ 9,190	

Our automotive operations interest and income taxes are recorded centrally in Corporate; therefore, there are no reconciling items for our automotive operating segments between EBIT-adjusted and Net income attributable to stockholders.

	Year Ended December 31, 2013					
	GMNA	GME	GMIO	GMSA	Corporate	Total
Impairment charges of property and intangible assets .....	\$ —	\$ —	\$ (774)	\$ —	\$ —	\$ (774)
Costs related to our plans to cease mainstream distribution of Chevrolet brand in Europe .....	—	—	(621)	—	—	(621)
Reversal of GM Korea wage litigation accrual .....	—	—	577	—	—	577
Gain on sale of equity investment in Ally Financial .....	—	—	—	—	483	483
Goodwill impairment charges .....	—	—	(442)	—	—	(442)
Venezuela currency devaluation .....	—	—	—	(162)	—	(162)
Gain on sale of equity investment in PSA .....	—	152	—	—	—	152
Noncontrolling interests related to redemption of the GM Korea mandatorily redeemable preferred shares .....	—	—	67	—	—	67
Pension settlement charges .....	(56)	—	—	—	—	(56)
Charges related to PSA product development agreement .....	(49)	—	—	—	—	(49)
Income related to insurance recoveries .....	5	1	24	5	—	35
Total adjustments to automotive EBIT .....	<u>\$ (100)</u>	<u>\$ 153</u>	<u>\$ (1,169)</u>	<u>\$ (157)</u>	<u>\$ 483</u>	<u>\$ (790)</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

	Year Ended December 31, 2012					
	GMNA	GME	GMIO	GMSA	Corporate	Total
Goodwill impairment charges	\$ (26,399)	\$ (590)	\$ (132)	\$ —	\$ —	\$ (27,121)
Impairment charges of property	—	(3,714)	—	—	—	(3,714)
Pension settlement charges	(2,662)	—	—	—	—	(2,662)
Impairment charges of intangible assets	—	(1,755)	—	—	—	(1,755)
Premium paid to purchase our common stock from the UST	—	—	—	—	(402)	(402)
GM Korea wage litigation accrual	—	—	(336)	—	—	(336)
Impairment charge related to investment in PSA	—	(220)	—	—	—	(220)
Income related to insurance recoveries	9	7	112	27	—	155
Charge to record GMS assets and liabilities to estimated fair value	—	(119)	—	—	—	(119)
Noncontrolling interests related to redemption of the GM Korea mandatorily redeemable preferred shares	—	—	68	—	—	68
Total adjustments to automotive EBIT	\$ (29,052)	\$ (6,391)	\$ (288)	\$ 27	\$ (402)	\$ (36,106)

	Year Ended December 31, 2011					
	GMNA	GME	GMIO	GMSA	Corporate	Total
Gain on sale of our New Delphi Class A Membership Interests	\$ 1,645	\$ —	\$ —	\$ —	\$ —	\$ 1,645
Goodwill impairment charges	—	(1,016)	(258)	—	—	(1,274)
Gain related to HCT settlement	749	—	—	—	—	749
Impairment related to Ally Financial common stock	—	—	—	—	(555)	(555)
Gain on sale of Ally Financial preferred stock	—	—	—	—	339	339
Charges related to GM India	—	—	(106)	—	—	(106)
Gain on extinguishment of debt	—	—	—	63	—	63
Total adjustments to automotive EBIT	\$ 2,394	\$ (1,016)	\$ (364)	\$ 63	\$ (216)	\$ 861

GM North America

	Years Ended December 31,		Year Ended 2013 vs. 2012 Change		Variance Due To				
	2013	2012	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue	\$ 95,099	\$ 89,910	\$ 5,189	5.8%	\$ 1.7	\$ 1.3	\$ 1.9	\$ 0.3	\$ 5.2
EBIT-adjusted	\$ 7,461	\$ 6,470	\$ 991	15.3%	\$ 0.5	\$ —	\$ 1.9	\$ (1.4)	\$ 1.0
	(Vehicles in thousands)								
Wholesale vehicle sales	3,276	3,207	69	2.2%					

	Years Ended December 31,		Year Ended 2012 vs. 2011 Change		Variance Due To				
	2012	2011	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue	\$ 89,910	\$ 85,991	\$ 3,919	4.6%	\$ 3.8	\$ 0.7	\$ 0.5	\$ (1.1)	\$ 3.9
EBIT-adjusted	\$ 6,470	\$ 6,779	\$ (309)	(4.6)%	\$ 1.1	\$ (0.6)	\$ 0.5	\$ (1.3)	\$ (0.3)
	(Vehicles in thousands)								
Wholesale vehicle sales	3,207	3,053	154	5.0%					

GMNA Total Net Sales and Revenue

In the year ended December 31, 2013 Total net sales and revenue increased due primarily to: (1) favorable vehicle pricing related to recent vehicle launches such as Chevrolet Silverado and GMC Sierra; (2) increased wholesale volumes due to increased industry



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

demand and successful recent vehicle launches such as the Buick Encore, Cadillac ATS, Chevrolet Silverado, Chevrolet Spark, and GMC Sierra; and (3) favorable vehicle mix related to improving market segments containing higher revenue vehicles including crossovers and trucks.

In the year ended December 31, 2012 Total net sales and revenue increased due primarily to: (1) increased wholesale volumes due to increased industry demand and successful recent vehicle launches such as the Buick Verano, Cadillac ATS, Cadillac XTS, Chevrolet Sonic and Chevrolet Spark; (2) favorable vehicle mix due to increases in Cadillac ATS, Cadillac XTS, Chevrolet Silverado and GMC Sierra; and (3) favorable vehicle pricing related to recent vehicle launches such as Chevrolet Malibu, Chevrolet Traverse, GMC Acadia and Buick Enclave; partially offset by (4) Other of \$1.1 billion due primarily to reduction in favorable lease residual adjustments of \$0.5 billion; and unfavorable net foreign currency effect of \$0.2 billion due to the weakening of the Canadian Dollar (CAD) and Mexican Peso against the U.S. Dollar.

### *GMNA EBIT-Adjusted*

The most significant factors which influence GMNA's profitability are industry volume (primarily U.S. seasonally adjusted annual rate) and market share. While not as significant as industry volume and market share, another factor affecting profitability is the relative mix of vehicles (cars, trucks, crossovers) sold. Variable profit is a key indicator of product profitability. Variable profit is defined as revenue less material cost, freight, the variable component of manufacturing expense, and policy and warranty expense. Vehicles with higher selling prices generally have higher variable profit. Trucks sold in the U.S. currently have a variable profit of approximately 160% of our portfolio on a weighted-average basis. Crossover vehicles' variable profits are in line with the overall portfolio on a weighted-average basis, and cars are approximately 50% of the portfolio on a weighted-average basis.

In the year ended December 31, 2013 EBIT-adjusted increased due primarily to: (1) favorable vehicle pricing; and (2) increased wholesale volumes; partially offset by (3) unfavorable Other of \$1.4 billion primarily due to increased material and freight costs including new launches of \$1.1 billion; increased manufacturing expense, including new launches, of \$0.3 billion; increased engineering expense of \$0.3 billion; and increased depreciation and amortization expense of \$0.2 billion, partially offset by a reduction in unfavorable warranty and policy adjustments of \$0.6 billion.

In the year ended December 31, 2012 EBIT-adjusted decreased due primarily to: (1) unfavorable vehicle mix due to increase in lower margin vehicles; and (2) Other of \$1.3 billion due primarily to decreased U.S. pension income of \$0.8 billion due to December 31, 2011 plan remeasurements; increased manufacturing expense, including new launches, of \$0.6 billion; reduction in favorable lease residual adjustments of \$0.5 billion; and unfavorable policy and warranty adjustments of \$0.2 billion; partially offset by decreased engineering expense and other technology fees of \$0.5 billion; and decreased material and freight costs of \$0.4 billion. These were partially offset by: (3) increased net wholesale volumes; and (4) favorable vehicle pricing effect.

### **GM Europe**

During the second half of 2011 and continuing into 2013, the European automotive industry has been severely affected by high unemployment and a lack of consumer confidence coupled with manufacturing overcapacity. European automotive industry sales to retail and fleet customers were 19 million vehicles in the year ended December 31, 2013, representing a 1.1% decrease compared to the corresponding period in 2012.

### *Outlook*

We have formulated a plan and are implementing various actions to strengthen our operations and increase our competitiveness. The key areas include investments in our product portfolio, a revised brand strategy, significant management changes, reducing material, development and production costs, including restructuring activities. The success of our plan will depend on a combination of our ability to execute the actions contemplated, as well as external factors which are outside of our control. We believe it is likely that adverse economic conditions and their effect on the European automotive industry will not improve significantly in the near-term; however, we expect to break even in GME by mid-decade.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

**GME Total Net Sales and Revenue and EBIT (Loss)-Adjusted**

	Years Ended December 31,		Year Ended 2013 vs. 2012 Change		Variance Due To				
	2013	2012	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue . . . . .	\$ 20,110	\$ 20,689	\$ (579)	(2.8)%	\$ (0.6)	\$ —	\$ (0.2)	\$ 0.2	\$ (0.6)
EBIT (loss)-adjusted . . . . .	\$ (844)	\$ (1,939)	\$ 1,095	(56.5)%	\$ (0.1)	\$ (0.2)	\$ (0.2)	\$ 1.6	\$ 1.1
	(Vehicles in thousands)								
Wholesale vehicle sales . . . . .	1,047	1,079	(32)	(3.0)%					

  

	Years Ended December 31,		Year Ended 2012 vs. 2011 Change		Variance Due To				
	2012	2011	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue . . . . .	\$ 20,689	\$ 25,154	\$ (4,465)	(17.8)%	\$ (2.4)	\$ 0.4	\$ (0.2)	\$ (2.3)	\$ (4.5)
EBIT (loss)-adjusted . . . . .	\$ (1,939)	\$ (1,041)	\$ (898)	86.3%	\$ (0.5)	\$ (0.4)	\$ (0.2)	\$ 0.2	\$ (0.9)
	(Vehicles in thousands)								
Wholesale vehicle sales . . . . .	1,079	1,240	(161)	(13.0)%					

**GME Total Net Sales and Revenue**

In the year ended December 31, 2013 Total net sales and revenue decreased due primarily to: (1) decreased wholesale volumes due to the weak European economy; and (2) unfavorable vehicle pricing primarily resulting from increased incentive support associated with difficult market conditions; partially offset by (3) Other of \$0.2 billion due primarily to favorable net foreign currency effect.

In the year ended December 31, 2012 Total net sales and revenue decreased due primarily to: (1) decreased wholesale volumes due to the weak European economy; (2) unfavorable price effects primarily resulting from increased incentive support associated with strong competition; and (3) Other of \$2.3 billion due primarily to unfavorable net foreign currency effect of \$1.7 billion resulting from the strengthening of the U.S. Dollar against the Euro, Russian Ruble, Hungarian Forint, Turkish Lira and British Pound; decreased parts, accessories and powertrain engine and transmission sales of \$0.5 billion associated with lower demand; and a decrease of \$0.1 billion due to the deconsolidation of VMM in June 2011; partially offset by (4) favorable vehicle mix due to the new generation Astra GTC, Opel Mokka and Ampera and increased sales of other higher priced vehicles.

**GME EBIT (Loss)-Adjusted**

In the year ended December 31, 2013 EBIT (loss)-adjusted decreased due primarily to: (1) Other of \$1.6 billion due primarily to decreased manufacturing costs of \$0.7 billion mainly resulting from decreased depreciation expense because of asset impairments in December 2012, which decreased the depreciable base; decreased engineering expenses of \$0.3 billion; favorable material and freight costs of \$0.3 billion; and a favorable net effect of changes in the fair value of an embedded foreign currency derivative asset of \$0.2 billion associated with a long-term supply agreement; partially offset by (2) unfavorable net vehicle mix due to lower proportion of higher priced vehicles; (3) unfavorable vehicle pricing; and (4) decreased wholesale volumes.

In the year ended December 31, 2012 EBIT (loss)-adjusted increased due primarily to: (1) decreased wholesale volumes; (2) unfavorable net vehicle mix; and (3) unfavorable price effects; partially offset by (4) Other of \$0.2 billion due primarily to lower manufacturing and material costs of \$0.4 billion; and favorable net foreign currency effect of \$0.1 billion resulting from the strengthening of the U.S. Dollar against the Euro, Russian Ruble, Hungarian Forint, Turkish Lira, and British Pound; partially offset by a decrease of \$0.2 billion resulting from the net effect of changes in an embedded foreign currency derivative asset associated with a long-term supply agreement; and decreased parts, accessories and powertrain engine and transmission sales of \$0.2 billion, associated with lower demand.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### GM International Operations

We have strategically assessed the manner in which we operate in certain countries within GMIO, including our cost structure, the level of local sourcing, the level of investment in the product portfolio, the allocation of production activity to the existing manufacturing base and our brand strategy. These strategic reviews considered the effects that recent and forecasted deterioration in local market conditions would have on our operations. While we are continuing our strategic assessments, we have taken certain actions and incurred impairment and other charges as detailed below.

#### *Withdrawal of the Chevrolet Brand from Europe*

In December 2013 we announced our plans to cease mainstream distribution of Chevrolet brand in Western and Central Europe in 2015 due to the challenging business model and difficult economic situation in Europe. The results of our Chevrolet operations in Western and Central Europe, which are subsidiaries of our GM Korea operations, are reflected in the financial results of our GMIO region. This action is expected to improve our European operations through a further strengthening of our Opel and Vauxhall brands and reduce the market complexity associated with both Opel and Chevrolet products in Western and Central Europe. In the three months ended December 31, 2013 we recorded pre-tax charges of \$0.6 billion, net of noncontrolling interests of 23.0%, consisting of intangible asset impairment charges, dealer restructuring costs, sales incentive and inventory related costs and employee severance and other costs. We may incur additional charges of up to \$0.3 billion through the first half of 2014 primarily for dealer restructuring costs and sales incentives. Refer to Note 19 of our consolidated financial statements for additional information.

#### *Holden*

In December 2013 we announced plans to cease vehicle and engine manufacturing and significantly reduce engineering operations at Holden by the end of 2017. Holden will continue to sell imported vehicles through its Holden dealer network and maintain its global design studio. Our Australian operations have been subject to unfavorable market conditions including the sustained strength of the Australian dollar, high cost of production and a small but highly competitive and fragmented domestic automotive market. In the three months ended December 31, 2013 we recorded pre-tax charges of \$0.5 billion consisting of asset impairment charges including property, plant and equipment and exit-related costs including certain employee severance related costs. We expect to incur additional charges through 2017 for incremental future cash payments of employee severance once negotiations of the amount are completed. Refer to Note 19 of our consolidated financial statements for additional information.

#### *GM India*

In the three months ended December 31, 2013 we performed a strategic assessment of GM India in response to lower than expected sales performance of our current product offerings in India, higher raw material costs, unfavorable foreign exchange rates and recent deterioration in local market conditions. As a result we recorded pre-tax asset impairment charges of \$0.3 billion, net of noncontrolling interests of 9.2%, to adjust the carrying amount of GM India's real and personal property, Intangible assets, net and Goodwill. Our strategic assessment also outlines planned actions requiring additional future investments and modifications to our existing GM India business model that are needed to reach profitability in the medium to long-term. There are no assurances that the forecasted financial results outlined in the strategic assessment will be achieved. Refer to Note 9 of our consolidated financial statements for additional information.

#### *Goodwill Impairment Charges*

We recorded Goodwill impairment charges of \$0.5 billion in the year ended December 31, 2013 primarily related to our GM Korea and GM India reporting units.

#### *Focus on Chinese Market*

We view the Chinese market as important to our global growth strategy and are employing a multi-brand strategy, led by our Buick and Chevrolet brands. In the coming years, we plan to increasingly leverage our global architectures to increase the number of

# GENERAL MOTORS COMPANY AND SUBSIDIARIES

nameplates under the Buick, Chevrolet and Cadillac brands in China and continue to grow our business under the Baojun, Jiefang and Wuling brands. We operate in the Chinese market through a number of joint ventures and maintaining good relations with our joint venture partners, which are affiliated with the Chinese government, is an important part of our China growth strategy.

The following tables summarize certain key operational and financial data for the China JVs (dollars in millions, vehicles in thousands):

	Years Ended December 31,		
	2013	2012	2011
Total wholesale vehicles (a)	3,239	2,909	2,573
Market share	14.3%	14.6%	13.6%
Total net sales and revenue	\$ 38,767	\$ 33,364	\$ 30,511
Net income	\$ 3,685	\$ 3,198	\$ 3,203

(a) Including vehicles exported to markets outside of China.

	December 31, 2013	December 31, 2012
Cash and cash equivalents	\$ 6,606	\$ 5,522
Debt	\$ 151	\$ 123

## GMIO Total Net Sales and Revenue and EBIT-Adjusted

	Years Ended December 31,		Year Ended 2013 vs. 2012 Change		Variance Due To				
	2013	2012	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue	\$ 20,263	\$ 22,954	\$ (2,691)	(11.7)%	\$ (1.3)	\$ (0.1)	\$ (0.5)	\$ (0.8)	\$ (2.7)
EBIT-adjusted	\$ 1,230	\$ 2,528	\$ (1,298)	(51.3)%	\$ (0.3)	\$ (0.5)	\$ (0.3)	\$ (0.2)	\$ (1.3)
	(Vehicles in thousands)								
Wholesale vehicle sales	1,037	1,109	(72)	(6.5)%					

  

	Years Ended December 31,		Year Ended 2012 vs. 2011 Change		Variance Due To				
	2012	2011	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue	\$ 22,954	\$ 21,031	\$ 1,923	9.1%	\$ 1.4	\$ 0.3	\$ 0.8	\$ (0.6)	\$ 1.9
EBIT-adjusted	\$ 2,528	\$ 2,232	\$ 296	13.3%	\$ 0.5	\$ (0.1)	\$ 0.8	\$ (0.9)	\$ 0.3
	(Vehicles in thousands)								
Wholesale vehicle sales	1,109	1,039	70	6.7%					

## GMIO Total Net Sales and Revenue

The vehicle sales of our China JVs and of GM India prior to September 1, 2012, the date we consolidated GM India, are not recorded in Total net sales and revenue. The results of our nonconsolidated joint ventures are recorded in Equity income and gain on investments. Refer to Notes 3 and 8 to our consolidated financial statements for further detail on the acquisition of GM India.

In the year ended December 31, 2013 Total net sales and revenue decreased due primarily to: (1) decreased wholesale volume of 129,000 vehicles (or 11.6%) primarily in Middle East and Chevrolet brand vehicles in Europe partially offset by an increase from the consolidation of GM India effective September 2012 resulting in an additional 57,000 wholesale vehicle sales (or 5.0%) in 2013; (2) unfavorable pricing due to increased incentive support associated with strong competition; (3) unfavorable vehicle mix; and (4) Other of \$0.8 billion due primarily to unfavorable net foreign currency effect due to the weakening of the Australian Dollar, the South Africa Rand and the Egyptian Pound against the U.S. Dollar of \$0.5 billion and decreased sales of components, parts and accessories of \$0.3 billion.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

In the year ended December 31, 2012 Total net sales and revenue increased due primarily to: (1) increased wholesale volume of 41,000 vehicles (of 4.0%) due primarily to strong industry growth across the region; coupled with an increase from the consolidation of GM India effective September 2012 resulting in an inclusion of 29,000 wholesale vehicle sales (or 2.8%); (2) favorable pricing due to higher pricing on new models launched; and (3) favorable vehicle mix due to increased export of new product; partially offset by (4) Other of \$0.6 billion due primarily to unfavorable net foreign currency effect due to the weakening of the Korean Won and South Africa Rand against the U.S. Dollar of \$0.5 billion; and decrease in components, parts and accessories revenue of \$0.1 billion.

### *GMIO EBIT-Adjusted*

In the year ended December 31, 2013 EBIT-adjusted decreased due primarily to: (1) unfavorable net vehicle mix primarily in Middle East and Australian markets; (2) unfavorable pricing excluding \$0.2 billion sales incentive related to withdrawal of the Chevrolet brand from Europe; (3) unfavorable net wholesale volumes; and (4) Other of \$0.2 billion due primarily to unfavorable manufacturing costs of \$0.3 billion; unfavorable net foreign currency effect of \$0.2 billion; and a decrease in sales of components, parts and accessories of \$0.2 billion; partially offset by favorable material and freight cost of \$0.3 billion; and increased equity income, net of tax of \$0.2 billion, from our interest in the increased net income of our China JVs.

In the year ended December 31, 2012 EBIT-adjusted increased due primarily to: (1) favorable pricing due to higher pricing on new models launched; and (2) favorable net wholesale volumes; partially offset by (3) unfavorable net vehicle mix; and (4) Other of \$0.9 billion due primarily to increased costs of \$1.0 billion due primarily to increased material, freight and manufacturing costs; partially offset by net gain of \$0.1 billion measured as the difference between the fair value of our 50% interest in GM India and the investment carrying amount at the date of acquisition.

## **GM South America**

### *Venezuelan Operations*

Our Venezuelan subsidiaries functional currency is the U.S. Dollar because of the hyperinflationary status of the Venezuelan economy.

Effective February 13, 2013 the Venezuelan government set the official fixed exchange rate of the Bolivar Fuerte (BsF) at BsF 6.3 to \$1.00 from BsF 4.3 to \$1.00. The devaluation resulted in a charge of \$0.2 billion in the three months ended March 31, 2013 from the remeasurement of our Venezuelan subsidiaries' non-U.S. Dollar denominated monetary assets and liabilities. We believe it is possible that the Venezuelan government may further devalue the BsF against the U.S. Dollar in the future. If the BsF were devalued further, it would result in a charge to our income statement in the period of devaluation. Based on our December 31, 2013 net monetary assets, a charge of approximately \$0.1 billion would result for every 10% devaluation of the BsF.

In December 2013 a new decree became effective requiring the government of Venezuela to set prices for all vehicles, parts and accessories sold in the country. In addition the Venezuelan government has foreign exchange control regulations that make it difficult to convert BsF to U.S. Dollars which affect our Venezuelan subsidiaries' ability to pay non-BsF denominated obligations and to pay dividends. In January 2014 the Venezuelan government announced changes to the foreign exchange process which could affect the rate at which our Venezuelan subsidiaries buy dollars. These regulations, when considered with other governmental policies impacting labor force reductions and other circumstances in Venezuela, may limit our ability to fully benefit from and maintain our controlling financial interest in our Venezuelan subsidiaries. The financial impact on our operations in Venezuela of these events and associated ongoing restrictions are uncertain.

The total amounts pending government approval for settlement in U.S. Dollar at December 31, 2013 and 2012 were BsF 3.7 billion (equivalent to \$0.6 billion) and BsF 2.2 billion (equivalent to \$0.5 billion). These amounts include requests in the amount of BsF 0.6 billion (equivalent to \$0.1 billion) that have been pending from 2007. Our Venezuelan subsidiaries net assets were \$0.9 billion at December 31, 2013, including net monetary assets of \$1.0 billion. At December 31, 2013 other consolidated entities had receivables from our Venezuelan subsidiaries denominated in other currencies of \$0.5 billion.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

**GMSA Total Net Sales and Revenue and EBIT-Adjusted**

	Years Ended December 31,		Year Ended 2013 vs. 2012 Change		Variance Due To				
	2013	2012	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue . . . .	\$ 16,478	\$ 16,700	\$ (222)	(1.3)%	\$ —	\$ 0.6	\$ 0.9	\$ (1.7)	\$ (0.2)
EBIT-adjusted . . . . .	\$ 327	\$ 457	\$ (130)	(28.4)%	\$ —	\$ 0.3	\$ 0.9	\$ (1.3)	\$ (0.1)
	(Vehicles in thousands)								
Wholesale vehicle sales . . . . .	1,053	1,050	3	0.3%					

  

	Years Ended December 31,		Year Ended 2012 vs. 2011 Change		Variance Due To				
	2012	2011	Favorable/ (Unfavorable)	%	Volume	Mix	Price	Other	Total
	(Dollars in millions)				(Dollars in billions)				
Total net sales and revenue . . . .	\$ 16,700	\$ 16,632	\$ 68	0.4%	\$ (0.6)	\$ 1.6	\$ 0.5	\$ (1.4)	\$ 0.1
EBIT-adjusted . . . . .	\$ 457	\$ 158	\$ 299	189.2%	\$ (0.2)	\$ 0.4	\$ 0.5	\$ (0.4)	\$ 0.3
	(Vehicles in thousands)								
Wholesale vehicle sales . . . . .	1,050	1,090	(40)	(3.7)%					

n.m. = not meaningful

**GMSA Total Net Sales and Revenue**

In the year ended December 31, 2013 Total net sales and revenue decreased due primarily to: (1) Other of \$1.7 billion due primarily to unfavorable net foreign currency effect due to the strengthening of the U.S. Dollar against the Brazilian Real and Argentinian Peso and the devaluation of the Venezuelan Bolivar of \$1.9 billion; partially offset by increased revenue from parts and accessories sales of \$0.1 billion; partially offset by (2) favorable vehicle pricing primarily due to high inflation in Venezuela and Argentina; and (3) favorable vehicle mix due to increased sales of the Chevrolet Trailblazer, Chevrolet Captiva, Chevrolet Orlando, Chevrolet Tahoe and Chevrolet S10.

In the year ended December 31, 2012 Total net sales and revenue increased due primarily to: (1) favorable vehicle mix due to increased sales of Chevrolet Cruze and Chevrolet S10; and (2) favorable vehicle pricing primarily due to high inflation in Venezuela and Argentina; partially offset by (3) decreased wholesale volumes due to deteriorated market share driven by increased competition and aggressive pricing in the market; and (4) Other of \$1.4 billion due primarily to unfavorable net foreign currency effect due to the strengthening of the U.S. Dollar against the Brazilian Real and Argentinian Peso and the devaluation of the BsF of \$1.5 billion; partially offset by increased revenue from parts and accessories sales of \$0.1 billion.

**GMSA EBIT-Adjusted**

In the year ended December 31, 2013 EBIT-adjusted decreased due primarily to: (1) Other of \$1.3 billion due primarily to unfavorable net foreign currency effect as a result of the strengthening of the U.S. Dollar against the Brazilian Real and Argentinian Peso and the devaluation of the Venezuelan Bolivar of \$1.1 billion; increased selling, general and administrative expense mainly due to a decrease in contingency reserves of \$0.1 billion in the corresponding period of 2012 due to the resolution of certain items at amounts lower than previously expected; and a gain of \$50 million on the purchase of GMAC de Venezuela CA in the corresponding period of 2012; partially offset by (2) favorable vehicle pricing effect primarily driven by high inflation in Venezuela and Argentina; and (3) favorable net vehicle mix.

In the year ended December 31, 2012 EBIT-adjusted increased due primarily to: (1) favorable vehicle pricing; and (2) favorable net vehicle mix; partially offset by (3) unfavorable net wholesale volumes; and (4) Other of \$0.4 billion due primarily to increased material, freight and manufacturing costs of \$0.5 billion; and increased administrative and advertising and sales promotion expenses

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

of \$0.1 billion to support launches of new products; partially offset by decreases in contingency reserves of \$0.1 billion due to the resolution of certain items at amounts lower than previously expected; and a bargain purchase gain of \$50 million on the purchase of GMAC de Venezuela CA.

### GM Financial

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
(Dollars in millions)							
Total revenue . . . . .	\$ 3,344	\$ 1,961	\$ 1,410	\$ 1,383	70.5%	\$ 551	39.1%
Provision for loan losses . . . . .	\$ 475	\$ 304	\$ 178	\$ 171	56.3%	\$ 126	70.8%
Income before income taxes . . . . .	\$ 883	\$ 744	\$ 622	\$ 139	18.7%	\$ 122	19.6%
(Dollars in billions)							
Average debt outstanding . . . . .	\$ 21.0	\$ 9.5	\$ 7.6	\$ 11.5	121.1%	\$ 1.9	25.0%
Effective rate of interest paid . . . . .	3.4%	3.0%	2.7%	0.4%		0.3%	

### GM Financial Revenue

In the year ended December 31, 2013 Total revenue increased due primarily to: (1) increased finance charge income of \$1.0 billion due to the acquisition of Ally Financial international operations and increased loan originations; and (2) increased leased vehicle income of \$0.3 billion due to a larger lease portfolio.

In the year ended December 31, 2012 Total revenue increased due primarily to: (1) increased finance charge income of \$0.3 billion, due to a larger portfolio; and (2) increased leased vehicles income of \$0.2 billion due to the increased size of the leased asset portfolio.

### GM Financial Income Before Income Taxes

In the year ended December 31, 2013 Income before income taxes increased due primarily to: (1) increased revenue of \$1.0 billion; partially offset by (2) increased provision for loan losses; (3) increased interest expenses of \$0.4 billion; and (4) increased operating expenses of \$0.4 billion. These changes are due primarily to the acquisition of the Ally Financial international operations.

In the year ended December 31, 2012 Income before income taxes increased due primarily to: (1) increased revenue of \$0.6 billion; partially offset by (2) increased leased vehicle expenses of \$0.1 billion due to a larger lease portfolio; (3) increased provision for loan losses due to a larger loan portfolio; (4) increased interest expenses of \$0.1 billion due primarily to new debt; and (5) increased operating expenses of \$0.1 billion due to an increase of personnel to support company growth.

### Corporate

(Dollars in Millions)

	Years Ended December 31,			Year Ended 2013 vs. 2012 Change		Year Ended 2012 vs. 2011 Change	
	2013	2012	2011	Amount	%	Amount	%
Net income (loss) attributable to stockholders . . . . .	\$ (2,138)	\$ 33,809	\$ (452)	\$ (35,947)	n.m.	\$ 34,261	n.m.

n.m. = not meaningful

Nonsegment operations are classified as Corporate. Corporate includes certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures and certain nonsegment specific revenues and expenses.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The following table summarizes the changes in Corporate Net income (loss) attributable to stockholders (dollars in billions):

	Years Ended	
	2013 vs. 2012	2012 vs. 2011
Deferred tax asset valuation allowance release in U.S. and Canada .....	\$ (36.3)	\$ 36.3
Other tax related matters .....	(0.5)	(1.4)
Impairment of investment in Ally Financial common stock .....	—	0.6
Premium paid to purchase common stock from UST .....	0.4	(0.4)
Gain on sale of Ally Financial preferred and common stock .....	0.5	(0.3)
Loss on extinguishment of debt .....	—	(0.3)
Other .....	—	(0.2)
	<u>\$ (35.9)</u>	<u>\$ 34.3</u>

### Liquidity and Capital Resources

#### *Liquidity Overview*

We believe that our current level of cash and cash equivalents, marketable securities and availability under our secured revolving credit facilities will be sufficient to meet our liquidity needs. However we expect to have substantial cash requirements going forward which we plan to fund through total available liquidity and cash flows generated from operations. Our future uses of cash, which may vary from time to time based on market conditions and other factors, are centered around three objectives: (1) reinvest in our business; (2) continue to strengthen our balance sheet and competitive position; and (3) return cash to shareholders. Our known future material uses of cash include, among other possible demands: (1) capital expenditures of approximately \$7.5 billion annually as well as engineering and product development activities; (2) acquiring Ally Financial's equity interests in GMAC-SAIC, as subsequently discussed, for approximately \$0.9 billion; (3) payments for previously announced restructuring activities of up to \$1.1 billion; (4) payments to service debt and other long-term obligations; (5) payments to purchase the remaining outstanding shares of our Series A Preferred Stock with a liquidation amount of \$3.9 billion once the shares become redeemable on or after December 31, 2014; and (6) dividend payments on our common stock that are declared by our Board of Directors.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the "Risk Factors" section of this 2013 Form 10-K, some of which are outside our control. Macroeconomic conditions could limit our ability to successfully execute our business plans and therefore adversely affect our liquidity plans.

#### *Recent Management Initiatives*

We continue to monitor and evaluate opportunities to strengthen our balance sheet and competitive position over the long-term. These actions may include opportunistic payments to reduce our long-term obligations while maintaining minimal financial leverage as well as the possibility of acquisitions, dispositions and strategic alliances that we believe would generate significant advantages and substantially strengthen our business. These actions may include additional loans, investments with our joint venture partners or the acquisitions of certain operations or ownership stakes in outside businesses. These actions may negatively impact our liquidity in the short-term.

In November 2012 GM Financial entered into agreements with Ally Financial to acquire Ally Financial's automotive finance and financial services businesses in Europe and Latin America and Ally Financial's equity interests in GMAC-SAIC for approximately \$4.2 billion. GM Financial has completed the acquisitions of Ally Financial's European and Latin American automotive finance operations for \$3.3 billion in 2013. Increases in GM Financial receivables and GM Financial Short-term and Long-term debt in 2013 compared to 2012 were due primarily to the acquisition. Refer to Note 3 to our consolidated financial statements for additional information on these acquisitions.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

In April 2013 GM Korea made a payment of \$0.7 billion to acquire, prior to the mandatory redemption date, the remaining balance of GM Korea's seven percent mandatorily redeemable preferred shares that had a carrying amount of \$0.5 billion. We recorded the difference of \$0.2 billion as a loss on extinguishment of debt.

In September 2013 we issued \$4.5 billion in aggregate principal amount of senior unsecured notes comprising \$1.5 billion of 3.5% notes due in 2018, \$1.5 billion of 4.875% notes due in 2023 and \$1.5 billion of 6.25% notes due in 2043. We used proceeds from the issuance of these notes to purchase 120 million shares of our Series A Preferred Stock from the New VEBA for a total price of \$3.2 billion, which was equal to 108.1% of their aggregate liquidation amount. The Series A Preferred Stock accrues cumulative dividends at a 9% annual rate. We recorded a loss for the difference between the carrying amount of the Series A Preferred Stock purchased of \$2.4 billion and the consideration paid of \$3.2 billion, which reduced Net income attributable to common stockholders by \$0.8 billion.

In October 2013 we used proceeds from the issuance of the senior unsecured notes to make a payment of \$1.2 billion to prepay notes issued to the HCT. The HCT notes accrued interest at a 7% annual rate. This transaction and the purchase of the Series A Preferred Stock from the New VEBA lowered our overall cost of funding as the senior unsecured notes carry a lower interest rate than the dividends on the Series A Preferred Stock and the interest rate on the HCT notes.

In December 2013 we sold our investment in Ally Financial's common stock for \$0.9 billion. Also in December 2013 we sold our seven percent equity stake in PSA for \$0.3 billion. These transactions released capital from non-core investment assets and allow the funds to be used for other corporate purposes.

### Automotive

#### *Available Liquidity*

Total available liquidity includes cash, cash equivalents, marketable securities and funds available under credit facilities. At December 31, 2013 our total available liquidity was \$38.3 billion, including funds available under credit facilities of \$10.4 billion. The amount of available liquidity is subject to intra-month and seasonal fluctuations and includes balances held by various business units and subsidiaries worldwide that are needed to fund their operations.

We manage our liquidity primarily at our treasury centers as well as at certain of our significant consolidated overseas subsidiaries. Available liquidity held within North America and at our regional treasury centers represented approximately 84% of our available liquidity at December 31, 2013. A portion of our available liquidity includes amounts deemed indefinitely reinvested in our foreign subsidiaries. We have used and will continue to use other methods including intercompany loans to utilize these funds across our global operations as needed.

Our cash equivalents and marketable securities balances include investments in U.S. government and agency obligations, foreign government securities, time deposits and corporate debt securities, and are primarily denominated in U.S. Dollars. We expect to maintain a sufficient amount of CAD denominated cash investments to offset certain CAD denominated liabilities, which primarily relate to pension and OPEB liabilities. These cash investments will incur foreign currency exchange gains or losses based on the movement of the CAD in relation to the U.S. Dollar and will therefore reduce our net CAD foreign currency exchange exposure. We held cash investments in CAD denominated securities of \$1.7 billion at December 31, 2013. These funds continue to be available to fund our normal ongoing operations and are included in our available liquidity.

Our investment guidelines, which we may change from time to time, prescribe certain minimum credit worthiness thresholds and limit our exposures to any particular sector, asset class, issuance or security type. Substantially all of our current investments in debt securities are with A/A2 or better rated issuers.

We use credit facilities as a mechanism to provide additional flexibility in managing our global liquidity and to fund working capital needs at certain of our subsidiaries. The total size of our credit facilities was \$11.2 billion and \$11.4 billion at December 31, 2013 and 2012. Our primary borrowing capacity under credit facilities comes from our secured revolving credit facilities comprising a three-year, \$5.5 billion facility maturing in 2015 and a five-year, \$5.5 billion facility maturing in 2017. We have not borrowed against

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

these facilities, but have amounts in use under the letter of credit sub-facility of \$0.6 billion at December 31, 2013. GM Financial has not borrowed against the three-year facility. Refer to Note 14 to our consolidated financial statements for additional details on our secured revolving credit facilities.

The following table summarizes our automotive available liquidity (dollars in millions):

	December 31, 2013	December 31, 2012
Cash and cash equivalents	\$ 18,947	\$ 17,133
Marketable securities	8,972	8,988
Available liquidity	27,919	26,121
Available under credit facilities	10,404	11,119
Total available liquidity	<u>\$ 38,323</u>	<u>\$ 37,240</u>

The following table summarizes the changes in our automotive available liquidity (dollars in billions):

	Year Ended 2013 vs 2012
Operating cash flow	\$ 11.0
Less: capital expenditures	(7.5)
Sale of investments in Ally Financial and PSA	1.2
Capital contribution to GM Financial for the acquisition of the Ally Financial international operations	(1.3)
Dividends paid	(0.9)
Decrease in available credit facilities	(0.7)
Effect of foreign currency	(0.4)
Other	(0.3)
Total change in available liquidity	<u>\$ 1.1</u>

### Cash Flow

The following tables summarize automotive cash flows from operating, investing and financing activities (dollars in billions):

	Years Ended December 31,		
	2013	2012	2011
<b>Operating Activities</b>			
Net income	\$ 4.7	\$ 5.6	\$ 8.9
Depreciation, amortization and impairments	7.6	38.5	7.3
Pension & OPEB activities	(0.8)	(0.5)	(3.0)
Working capital	(0.5)	(0.7)	(2.2)
Deferred tax valuation allowance release in the U.S. and Canada	—	(36.3)	—
Other	—	3.0	(3.6)
Cash flows from operating activities	<u>\$ 11.0</u>	<u>\$ 9.6</u>	<u>\$ 7.4</u>

Depreciation, amortization and impairments included goodwill impairments of \$0.5 billion, \$27.1 billion and \$1.3 billion and impairment charges of property and intangible assets of \$1.4 billion, \$5.5 billion and \$0.1 billion in the year ended December 31, 2013, 2012 and 2011. In the year ended December 31, 2012 significant Pension and OPEB activities included contributions to the U.S. salaried pension plan of \$2.3 billion for the purchase of annuity contracts and associated pension settlement charges of \$2.7 billion. In the year ended December 31, 2011 significant Pension and OPEB activities included a cash contribution as part of the HCT settlement of \$0.8 billion and a gain associated with the HCT settlement of \$0.7 billion. In the year ended December 31, 2012 Other

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

was due primarily to favorable movements in dealer and customer allowances of \$0.9 billion, other deferred tax provisions of \$0.9 billion and policy and warranty of \$0.6 billion. In the year ended December 31, 2011 Other was due primarily to gains on the sale of our investments in New Delphi Class A Membership Interests and Ally Financial preferred stock of \$2.0 billion, unfavorable movements in accrued and other liabilities of \$0.7 billion and equipment on operating leases of \$0.5 billion.

	Years Ended December 31,		
	2013	2012	2011
<b>Investing Activities</b>			
Capital expenditures	\$ (7.5)	\$ (8.1)	\$ (6.2)
Liquidations (acquisitions) of marketable securities, net	0.1	6.9	(10.6)
Sale of our investment in Ally Financial	0.9	—	1.0
Sale of our investment in Delphi	—	—	3.8
Other	0.4	0.5	1.4
Cash flows from investing activities	<u>\$ (6.1)</u>	<u>\$ (0.7)</u>	<u>\$ (10.6)</u>

Changes in the (Acquisitions) liquidations of marketable securities, net were due to varying maturities of investments as we rebalanced our investment portfolio in the normal course of business. Other was due primarily to the release of restricted cash, including the release of \$1.0 billion associated with the implementation of the HCT in the year ended December 31, 2011.

	Years Ended December 31,		
	2013	2012	2011
<b>Financing Activities</b>			
Issuance of senior unsecured notes	\$ 4.5	\$ —	\$ —
Prepayment of HCT notes	(1.1)	—	—
Early redemption of GM Korea preferred stock	(0.7)	(0.7)	—
Purchase of Series A Preferred Stock	(3.2)	—	—
Purchase of Common Stock (excluding charge related to purchase premium)	—	(5.1)	—
Dividends paid (excluding charge related to purchase of series A Preferred Stock)	(0.9)	(0.9)	(0.9)
Other	—	(0.4)	(1.0)
Cash flows from financing activities	<u>\$ (1.4)</u>	<u>\$ (7.1)</u>	<u>\$ (1.9)</u>

Other was due primarily to prepayments on debt facilities held by certain of our foreign subsidiaries, primarily in GMNA and GMSA, of \$1.0 billion in the year ended December 31, 2011.

### *Free Cash Flow and Adjusted Free Cash Flow*

The following table summarizes free cash flow and adjusted free cash flow (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Operating cash flow	\$ 11,021	\$ 9,631	\$ 7,429
Less: capital expenditures	(7,549)	(8,055)	(6,241)
Free cash flow	3,472	1,576	1,188
Adjustments	225	2,712	1,830
Adjusted free cash flow	<u>\$ 3,697</u>	<u>\$ 4,288</u>	<u>\$ 3,018</u>

Adjustments to free cash flow included the following items: accrued interest on the prepayment of the HCT notes of \$0.2 billion in October 2013 and pension contributions of \$0.1 billion related to the previously announced annuitization of the U.S. salaried pension



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

plan in March 2013; voluntary contributions to the U.S. salaried pension plan of \$2.3 billion for the purchase of annuity contracts and the premium paid to purchase our common stock from the UST of \$0.4 billion in December 2012; termination of in-transit wholesale advance agreement in GMNA resulting in an increase to accounts receivable of \$1.1 billion and OPEB payments relating to the HCT settlement of \$0.8 billion in 2011.

### *Status of Credit Ratings*

We receive ratings from four independent credit rating agencies: DBRS Limited, Fitch Ratings (Fitch), Moody's Investor Service (Moody's) and S&P. DBRS Limited and Moody's currently rate our corporate credit at investment grade while Fitch and S&P currently rate our corporate credit at non-investment grade. The following table summarizes our credit ratings at January 30, 2014:

	Corporate	Secured Revolving Credit Facilities	Senior Unsecured	Outlook
DBRS Limited .....	BBB (low)	N/A	N/A	Stable
Fitch .....	BB+	BBB-	BB+	Positive
Moody's .....	Investment Grade	Baa2	Ba1	Stable
S&P .....	BB+	BBB	BB+	Positive

Rating actions taken by each of the credit rating agencies from January 1, 2013 through January 30, 2014 were as follows:

Fitch: September — Assigned a senior unsecured rating of BB+. August — Upgraded their outlook to positive from stable.

Moody's: September — Upgraded corporate rating to an investment grade rating of Baa3 from Ba1, assigned a senior unsecured rating of Ba1 and changed their outlook to stable from positive.

S&P: September — Assigned a senior unsecured rating of BB+ and upgraded their outlook to positive from stable.

We continue to pursue investment grade status from all of the credit rating agencies by maintaining a balance sheet with minimal financial leverage and demonstrating continued operating performance. Achieving investment grade status will provide us with greater financial flexibility, lower our cost of borrowing and may release collateral from certain agreements including our secured revolving credit facility.

## Automotive Financing — GM Financial

### *Liquidity Overview*

GM Financial's primary sources of cash are finance charge income, leasing income, servicing fees, net distributions from secured debt, borrowings under secured and unsecured debt, net proceeds from senior notes transactions and collections and recoveries on finance receivables. GM Financial's primary uses of cash are purchases of finance receivables and leased vehicles, funding of commercial finance receivables, business acquisitions, repayment of secured and unsecured debt, funding credit enhancement requirements for secured debt, operating expenses and interest costs. GM Financial continues to monitor and evaluate opportunities to optimize its liquidity position and the mix of its debt.

### *Available Liquidity*

The following table summarizes GM Financial's available liquidity for daily operations (dollars in millions):

	December 31, 2013	December 31, 2012
Cash and cash equivalents .....	\$ 1,074	\$ 1,289
Borrowing capacity on unpledged eligible assets .....	1,650	1,349
Borrowing capacity on committed unsecured lines of credit .....	615	—
Available liquidity .....	<u>\$ 3,339</u>	<u>\$ 2,638</u>

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The increase in liquidity is due primarily to the net increase of \$0.8 billion resulting from the Ally Financial international operations acquisition.

GM Financial has the ability to borrow up to \$4.0 billion against our three-year \$5.5 billion secured revolving credit facility subject to available capacity and borrowing base restrictions. In the event GM Financial borrows against the facility, it is expected such borrowings would be short-term in nature. The facility is not guaranteed or secured by any GM Financial assets or subsidiaries.

### *Credit Facilities*

In the normal course of business, in addition to using its available cash, GM Financial utilizes borrowings under its credit facilities, which may be secured and structured as securitizations, or may be unsecured, and GM Financial repays these borrowings as appropriate under its cash management strategy. At December 31, 2013 secured and unsecured credit facilities totaled \$15.6 billion and \$4.0 billion, with advances outstanding of \$9.0 billion and \$3.0 billion.

GM Financial is required to hold certain funds in restricted cash accounts to provide additional collateral for borrowings under certain secured credit facilities. GM Financial's secured credit facilities contain various covenants requiring minimum financial ratios, asset quality and portfolio performance ratios (portfolio net loss and delinquency ratios, and pool level cumulative net loss ratios) as well as limits on deferment levels. Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs under these agreements, the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable, enforce their interests against collateral pledged under these agreements, restrict GM Financial's ability to obtain additional borrowings under these agreements and/or remove GM Financial as servicer. At December 31, 2013 GM Financial was in compliance with all covenants related to its credit facilities.

### *Cash Flow*

The following table summarizes GM Financial cash flows from operating, investing and financing activities (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Net cash provided by operating activities .....	\$ 1,609	\$ 974	\$ 737
Net cash used in investing activities .....	\$ (8,215)	\$ (2,776)	\$ (2,112)
Net cash provided by financing activities .....	\$ 5,143	\$ 2,318	\$ 1,520

### *Operating Activities*

In the year ended December 31, 2013 net cash provided by operating activities increased by \$0.6 billion due primarily to the acquisitions of Ally Financial international operations.

In the year ended December 31, 2012 net cash provided by operating activities increased by \$0.2 billion due primarily to higher revenues resulting from a \$2.4 billion increase in average earning assets.

### *Investing Activities*

In the year ended December 31, 2013 net cash used in investing activities increased by \$5.4 billion due primarily to: (1) increased funding of commercial finance receivables of \$19.9 billion and purchase of consumer finance receivables of \$4.0 billion; (2) net cash payment of \$2.6 billion made in the current year on the acquisitions of Ally Financial international operations; (3) increased purchase of leased vehicles of \$1.2 billion; and (4) increase in restricted cash of \$0.6 billion; partially offset by (5) increased collections and recoveries on finance receivables of \$22.8 billion.

In the year ended December 31, 2012 net cash used in investing activities increased by \$0.7 billion due primarily to: (1) increased funding of commercial finance receivables of \$1.2 billion and purchase of consumer finance receivables of \$0.6 billion; and (2) increased purchase of leased vehicles of \$0.2 billion; partially offset by (3) increased collections and recoveries on finance receivables of \$1.0 billion.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### *Financing Activities*

In the year ended December 31, 2013 net cash provided by financing activities increased by \$2.8 billion due primarily to the increased borrowings under secured and unsecured debt and issuance of senior notes of \$14.0 billion, partially offset by the increased debt repayment of \$9.7 billion and the repayment of \$1.4 billion in certain debt assumed as part of the Ally Financial international operations acquisitions.

In the year ended December 31, 2012 net cash provided by financing activities increased by \$0.8 billion due primarily to a decrease in repayment of debt.

### **Defined Benefit Pension Plan Contributions**

Eligible U.S. salaried employees hired prior to January 2001 participated in a defined benefit pension plan which was frozen as of September 30, 2012. All eligible salaried employees now participate in a defined contribution plan. Hourly employees hired prior to October 2007 generally participate in plans which provide benefits of stated amounts for each year of service as well as supplemental benefits for employees who retire with 30 years of service before normal retirement age. Hourly employees hired after September 2007 participate in a defined contribution plan. Our policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulation, or to directly pay benefit payments where appropriate. At December 31, 2013 all legal funding requirements had been met. We expect to contribute \$0.1 billion to our U.S. non-qualified plans and \$0.7 billion to our non-U.S. pension plans in 2014.

The following table summarizes contributions made to the defined benefit pension plans or direct payments (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
U.S. hourly and salaried . . . . .	\$ 128	\$ 2,420	\$ 1,962
Non-U.S. . . . .	886	855	836
Total contributions . . . . .	<u>\$ 1,014</u>	<u>\$ 3,275</u>	<u>\$ 2,798</u>

We provided short-term, interest-free, unsecured loans of \$2.2 billion to provide the U.S. salaried defined benefit pension plan with incremental liquidity to pay ongoing benefits and administrative costs. Through December 31, 2013 contributions of \$1.7 billion were made from the \$2.2 billion loans and the remaining amounts were repaid.

We made a voluntary contribution in January 2011 to our U.S. hourly and salaried defined benefit pension plans of 61 million shares of our common stock valued at \$2.2 billion for funding purposes at the time of contribution. The contributed shares qualified as a plan asset for funding purposes at the time of contribution and as a plan asset valued at \$1.9 billion for accounting purposes in July 2011. This was a voluntary contribution above our funding requirements for the pension plans.

The following table summarizes the underfunded status of pension plans on a U.S. GAAP basis (dollars in millions):

	December 31, 2013	December 31, 2012
U.S. hourly and salaried . . . . .	\$ 6,552	\$ 13,148
U.S. nonqualified . . . . .	762	877
Total U.S. pension plans . . . . .	<u>7,314</u>	<u>14,025</u>
Non-U.S. . . . .	<u>12,542</u>	<u>13,760</u>
Total underfunded . . . . .	<u>\$ 19,856</u>	<u>\$ 27,785</u>

The decrease in underfunded status of the U.S. pension plans was due primarily to: (1) actuarial gains due primarily to discount rate increases of \$7.7 billion; (2) actual return on plan assets of \$2.1 billion; and (3) contributions of \$0.1 billion; partially offset by (4) service and interest costs of \$3.1 billion.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The decrease in underfunded status of the non-U.S. pension plans primarily in Canada, the United Kingdom and Germany was due primarily to: (1) actuarial gains due primarily to discount rate increases of \$1.0 billion; (2) actual return on plan assets of \$1.0 billion; and (3) contributions and benefit payments of \$0.9 billion; partially offset by (4) service and interest costs of \$1.4 billion; (5) net unfavorable foreign currency effect of \$0.2 billion; and (6) business combinations of \$0.1 billion.

Hourly and salaried OPEB plans provide postretirement life insurance to certain U.S. retirees and eligible dependents and postretirement health coverage to some U.S. retirees and eligible dependents. Certain of the non-U.S. subsidiaries have postretirement benefit plans, although most participants are covered by government sponsored or administered programs.

The following table summarizes the unfunded status of OPEB plans (dollars in millions):

	December 31, 2013	December 31, 2012
U.S. OPEB plans	\$ 5,110	\$ 6,271
Non-U.S. OPEB plans	1,238	1,528
Total unfunded	<u>\$ 6,348</u>	<u>\$ 7,799</u>

Refer to Note 15 to our consolidated financial statements for the change in benefit obligations and related plan assets.

The following table summarizes net benefit payments expected to be paid in the future, which include assumptions related to estimated future employee service (dollars in millions):

	Pension Benefits (a)		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
2014	\$ 5,780	\$ 1,609	\$ 376	\$ 77
2015	\$ 5,687	\$ 1,597	\$ 364	\$ 65
2016	\$ 5,475	\$ 1,688	\$ 352	\$ 65
2017	\$ 5,368	\$ 1,711	\$ 341	\$ 65
2018	\$ 5,210	\$ 1,581	\$ 332	\$ 66
2019 - 2023	\$ 24,019	\$ 7,858	\$ 1,576	\$ 357

(a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our Cash and cash equivalents.

### Off-Balance Sheet Arrangements

We do not currently utilize off-balance sheet securitization arrangements. All trade or financing receivables and related obligations subject to securitization programs are recorded on our consolidated balance sheets at December 31, 2013 and 2012.

### Guarantees Provided to Third Parties

We have provided guarantees related to the residual value of operating leases, certain suppliers' commitments, certain product-related claims and third party commercial loans and other obligations. The maximum potential obligation under these commitments was \$16.9 billion and \$23.5 billion at December 31, 2013 and 2012.

Refer to Note 17 to our consolidated financial statements for additional information on guarantees we have provided.

### Contractual Obligations and Other Long-Term Liabilities

We have the following minimum commitments under contractual obligations, including purchase obligations. A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are recorded on our consolidated balance sheet. Based on this definition, the following table includes only those contracts which include fixed or minimum obligations. The majority of our purchases are not included in the table as they are made under purchase orders which are requirements based and accordingly do not specify minimum quantities.

The following table summarizes aggregated information about our outstanding contractual obligations and other long-term liabilities at December 31, 2013 (dollars in millions):

	Payments Due by Period				
	2014	2015-2016	2017-2018	2019 and after	Total
Automotive debt	\$ 389	\$ 26	\$ 1,781	\$ 4,741	\$ 6,937
Automotive Financing debt	13,594	10,672	4,030	750	29,046
Capital lease obligations	154	230	297	284	965
Automotive interest payments (a)	362	635	552	2,944	4,493
Automotive Financing interest payments (b)	766	833	232	141	1,972
Postretirement benefits (c)	259	279	3	—	541
Contractual commitments for capital expenditures	224	—	—	—	224
Operating lease obligations	311	397	173	206	1,087
Other contractual commitments:					
Material	947	991	117	30	2,085
Marketing	1,089	780	267	181	2,317
Rental car repurchases	3,761	—	—	—	3,761
Policy, product warranty and recall campaigns liability	2,628	3,266	1,153	246	7,293
Other	980	522	462	670	2,634
Total contractual commitments (d)(e)	<u>\$ 25,464</u>	<u>\$ 18,631</u>	<u>\$ 9,067</u>	<u>\$ 10,193</u>	<u>\$ 63,355</u>
Non-contractual postretirement benefits (f)	\$ 194	\$ 567	\$ 801	\$ 11,136	\$ 12,698

- (a) Amounts include Automotive interest payments based on contractual terms and current interest rates on our debt and capital lease obligations. Automotive interest payments based on variable interest rates were determined using the interest rate in effect at December 31, 2013.
- (b) GM Financial interest payments were determined using the interest rate in effect at December 31, 2013 for floating rate debt and the contractual rates for fixed rate debt. GM Financial interest payments on floating rate tranches of the securitization notes payable were converted to a fixed rate based on the floating rate plus any expected hedge payments.
- (c) Amounts include OPEB payments under the current U.S. contractual labor agreements through 2015 and Canada labor agreements through 2016. Amounts do not include pension funding obligations, which are discussed below under the caption "Pension Funding Requirements."
- (d) Amounts do not include future cash payments for long-term purchase obligations and other accrued expenditures (unless specifically listed in the table above) which were recorded in Accounts payable or Accrued liabilities at December 31, 2013.
- (e) Amounts exclude the future annual contingent obligations of Euro 265 million in the years 2013 to 2014 related to our Opel/Vauxhall restructuring plan. Refer to Note 17 to our consolidated financial statements for further detail.
- (f) Amounts include all expected future payments for both current and expected future service at December 31, 2013 for OPEB obligations for salaried employees and hourly OPEB obligations extending beyond the current North American union contract agreements. Amounts do not include pension funding obligations, which are discussed below under the caption "Pension Funding Requirements."

The table above does not reflect unrecognized tax benefits of \$2.5 billion due to the high degree of uncertainty regarding the future cash outflows associated with these amounts.

### *Pension Funding Requirements*

We have implemented and completed a balance sheet derisking strategy, comprising certain actions related to our U.S. salaried pension plan. These actions included payment of lump-sums to retirees, the purchase of group annuity contracts from an insurance company and the settlement of other previously guaranteed obligations.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

We do not have any required contributions payable to our U.S. qualified plans in 2014. We expect to contribute \$0.1 billion to our U.S. non-qualified plans and \$0.7 billion to our non-U.S. pension plans in 2014.

### Critical Accounting Estimates

The consolidated financial statements are prepared in conformity with U.S. GAAP, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods. We have discussed the development, selection and disclosures of our critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosures relating to these estimates.

### Pensions

The defined benefit pension plans are accounted for on an actuarial basis, which requires the selection of various assumptions, including an expected long-term rate of return on plan assets and a discount rate. The expected long-term rate of return on U.S. plan assets that is utilized in determining pension expense is derived from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return.

In December 2013 an investment policy study was completed for the U.S. pension plans. The study resulted in new target asset allocations being approved for the U.S. pension plans with resulting changes to the expected long-term rate of return on assets. The weighted-average long-term rate of return on assets increased from 5.8% at December 31, 2012 to 6.5% at December 31, 2013 due primarily to higher yields on fixed income securities.

Another key assumption in determining net pension expense is the assumed discount rate to be used to discount plan obligations. We estimate this rate for U.S. plans using a cash flow matching approach, which uses projected cash flows matched to spot rates along a high quality corporate yield curve to determine the present value of cash flows to calculate a single equivalent discount rate.

Significant differences in actual experience or significant changes in assumptions may materially affect the pension obligations. The effects of actual results differing from assumptions and the changing of assumptions are included in unamortized net actuarial gains and losses that are subject to amortization to expense over future periods. The unamortized pre-tax actuarial gain (loss) on our pension plans was \$1.4 billion and \$(6.2) billion at December 31, 2013 and 2012. The change is due primarily to the increase in discount rates.

The following table illustrates the sensitivity to a change in certain assumptions for the pension plans, holding all other assumptions constant (dollars in millions):

	U.S. Plans		Non-U.S. Plans	
	Effect on 2014 Pension Expense	Effect on December 31, 2013 PBO	Effect on 2014 Pension Expense	Effect on December 31, 2013 PBO
25 basis point decrease in discount rate	-\$ 50	+\$ 1,890	+\$ 22	+\$ 866
25 basis point increase in discount rate	+\$ 50	-\$ 1,830	-\$ 21	-\$ 821
25 basis point decrease in expected rate of return on assets	+\$ 150	N/A	+\$ 36	N/A
25 basis point increase in expected rate of return on assets	-\$ 150	N/A	-\$ 36	N/A



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The following data illustrates the sensitivity of changes in pension expense and pension obligation based on the last remeasurement of the U.S. hourly pension plan at December 31, 2013 (dollars in millions):

	Effect on 2014 Pension Expense	Effect on December 31, 2013 PBO
<b>Change in future benefit units</b>		
One percentage point increase in benefit units	+\$ 69	+\$ 206
One percentage point decrease in benefit units	– \$ 66	– \$ 200

Refer to Note 15 to our consolidated financial statements for the expected weighted-average long-term rate of return on plan assets, weighted-average discount rate on plan obligations and actual and expected return on plan assets. Refer to Note 2 to our consolidated financial statements for a discussion of the inputs used to determine fair value for each significant asset class or category.

### *Valuation of Deferred Tax Assets*

We evaluate the need for deferred tax asset valuation allowances based on a more likely than not standard. The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. It is difficult to conclude a valuation allowance is not required when there is significant objective and verifiable negative evidence, such as cumulative losses in recent years. We utilize a rolling three years of actual and current year anticipated results as the primary measure of cumulative losses in recent years. Our accounting for deferred tax consequences represents our best estimate of future events. Changes in our current estimates, due to unanticipated events or otherwise, could have a material effect on our financial condition and results of operations. At December 31, 2013 we retained valuation allowances of \$10.8 billion against deferred tax assets primarily in GME and South Korea business units with losses and in the U.S. and Canada related primarily to capital loss tax attributes and state operating loss carryforwards.

If law is enacted that reduces the U.S. statutory rate, we would record a significant reduction to the net deferred tax assets and a related increase to income tax expense in the period that includes the enactment date of the tax rate change.

### *Impairment of Goodwill*

When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value and the difference between the U.S. GAAP and fair value amounts gave rise to goodwill, which is a residual. If all identifiable assets and liabilities had been recorded at fair value upon application of fresh-start reporting, no goodwill would have resulted. Goodwill established at fresh-start was \$30.5 billion of which \$30.4 billion has been impaired through December 31, 2013.

In the three months ended December 31, 2013 we performed our annual goodwill impairment testing as of October 1 for all reporting units with Goodwill. Our reporting units are GMNA, GME and various reporting units within the GMIO, GMSA and GM Financial segments. In the year ended December 31, 2013 we also performed event-driven goodwill impairment tests at various dates for certain of our reporting units. Based on our testing procedures we recorded Goodwill impairment charges of \$0.5 billion in the year ended December 31, 2013 primarily associated with our GM Korea and GM India reporting units. Subsequent to the recording of the Goodwill impairment charges in the year ended December 31, 2013 we had Goodwill of \$1.6 billion at December 31, 2013 which resulted primarily from the acquisition of AmeriCredit Corp in 2011.

Refer to Note 10 to our consolidated financial statements for additional information on goodwill impairments.

For purposes of our 2013 annual impairment testing procedures at October 1, 2013 the estimated fair value of GM Financial's North American reporting unit exceeded its carrying amount by 29%. Due to anticipated changes in GM Financial's business model to continue to introduce higher credit quality products into its lending portfolio, the initial equity retention ratio assumption of 12.5% was forecasted to decrease to 7.5% by 2018 in the discounted cash flow analysis utilized for goodwill impairment testing purposes. Having higher credit quality products comprising a larger percentage of GM Financial's lending portfolio will require less equity. GM Korea's fair value continued to be below its carrying amount and GM India's carrying amount became negative.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The key assumptions utilized in determining the fair value-to-U.S. GAAP differences giving rise to the implied goodwill for the reporting units requiring a Step 2 analysis are: (1) the determination of our nonperformance risk; (2) interest rates; (3) estimates of our employee benefit related obligations; and (4) the estimated timing of the utilization of our deferred tax assets, including our determination whether it is more likely than not that the deferred tax assets will be utilized. For the year ended December 31, 2013 GM Korea's goodwill assessment was most sensitive to our determination of estimates of our employee benefit related obligations and GM India's was most sensitive to the estimated timing of the utilization of our deferred tax assets.

### *Impairment of Long-Lived Assets*

The carrying amount of long-lived assets and finite-lived intangible assets to be held and used in the business are evaluated for impairment when events and circumstances warrant. If the carrying amount of a long-lived asset group is considered impaired, a loss is recorded based on the amount by which the carrying amount exceeds the fair value for the long-lived assets or in certain cases, the asset group to be held and used. Product-specific long-lived asset groups are tested for impairment at the platform or vehicle line level. Non-product-specific long-lived assets are tested for impairment on a reporting unit basis in GMNA and GME and tested at or within our various reporting units within our GMIO, GMSA and GM Financial segments.

In December 2013 we: (1) announced our plans to cease mainstream distribution of Chevrolet brand in Western and Central Europe in 2015 due to the challenging business model and difficult economic situation in Europe; (2) announced plans to cease manufacturing at Holden by the end of 2017; and (3) performed a strategic assessment of GM India in response to lower than expected sales performance of our current product offerings in India, higher raw material costs, unfavorable foreign exchange rates and recent deterioration in local market conditions. These triggered long-lived asset impairment analyses so we performed recoverability tests on the long-lived assets associated with these asset groups. Our tests concluded that the associated long-lived assets were not recoverable as the resulting undiscounted cash flows were less than their carrying amounts. We develop anticipated cash flows from historical experience and internal business plans.

We estimated the fair values of the associated long-lived assets to determine the impairment amount. Fair value is determined using either the market or sales comparison approach, cost approach or anticipated cash flows discounted at a rate commensurate with the risk involved. A considerable amount of management judgment was required in determining the fair value of the asset groups which requires the use of significant estimates and assumptions, considered to be Level 3 inputs. An in-exchange premise was determined to be the highest and best use of the assets which is different than the assets' current use due to: (1) expected losses to be incurred associated with the exit of Chevrolet from a mainstream presence in Western and Central Europe and the wind down of manufacturing activities at Holden; and (2) the lack of economic support due to declining operations for the existing long-lived assets at GM India. As a result in the three months ended December 31, 2013 we recorded total asset impairment charges of \$1.1 billion in GMIO. Refer to Notes 9 and 11 to our consolidated financial statements for additional information on the impairment charges recorded and related fair value measurements.

While we believe our judgments and assumptions are reasonable, a change in assumptions underlying these estimates could result in a material effect to the consolidated financial statements. Long-lived assets could become impaired in the future as a result of declines in profitability due to significant changes in volume, pricing or costs.

### *Sales Incentives*

The estimated effect of sales incentives to dealers and customers is recorded as a reduction of Automotive net sales and revenue, and in certain instances, as an increase to Automotive cost of sales, at the later of the time of sale or announcement of an incentive program to dealers. There may be numerous types of incentives available at any particular time, including a choice of incentives for a specific model. Incentive programs are generally brand specific, model specific or region specific and are for specified time periods, which may be extended. Significant factors used in estimating the cost of incentives include the volume of vehicles that will be affected by the incentive programs offered by product, product mix, the rate of customer acceptance of any incentive program and the likelihood that an incentive program will be extended, all of which are estimated based on historical experience and assumptions concerning customer behavior and future market conditions. When an incentive program is announced, the number of vehicles in

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

dealer inventory eligible for the incentive program is determined and a reduction of Automotive net sales and revenue or increase to Automotive cost of sales is recorded in the period in which the program is announced. If the actual number of affected vehicles differs from this estimate, or if a different mix of incentives is actually paid, the reduction in Automotive net sales and revenue or increase to Automotive cost of sales for sales incentives could be affected. There are a multitude of inputs affecting the calculation of the estimate for sales incentives, and an increase or decrease of any of these variables could have a significant effect on recorded sales incentives.

### *Policy, Product Warranty and Recall Campaigns*

The estimated costs related to policy and product warranties are accrued at the time products are sold. Estimated costs related to product recalls based on a formal campaign soliciting return of that product are accrued when they are deemed to be probable and can be reasonably estimated. These estimates are established using historical information on the nature, frequency and average cost of claims of each vehicle line or each model year of the vehicle line and assumptions about future activity and events. However where little or no claims experience exists for a model year or a vehicle line, the estimate is based on comparable models. Revisions are made when necessary based on changes in these factors. These estimates are re-evaluated on an ongoing basis. We actively study trends of claims and take action to improve vehicle quality and minimize claims. Actual experience could differ from the amounts estimated requiring adjustments to these liabilities in future periods. Due to the uncertainty and potential volatility of the factors contributing to developing estimates, changes in our assumptions could materially affect our results of operations.

### **Accounting Standards Not Yet Adopted**

Accounting standards not yet adopted are discussed in Note 2 to our consolidated financial statements.

### **Forward-Looking Statements**

In this report and in reports we subsequently file and have previously filed with the SEC on Forms 10-K and 10-Q and file or furnish on Form 8-K, and in related comments by our management, we use words like “anticipate,” “approximately,” “believe,” “continue,” “could,” “designed,” “effect,” “estimate,” “evaluate,” “expect,” “forecast,” “goal,” “initiative,” “intend,” “may,” “objective,” “outlook,” “plan,” “potential,” “priorities,” “project,” “pursue,” “seek,” “should,” “target,” “when,” “would,” or the negative of any of those words or similar expressions to identify forward-looking statements that represent our current judgment about possible future events. In making these statements we rely on assumptions and analyses based on our experience and perception of historical trends, current conditions and expected future developments as well as other factors we consider appropriate under the circumstances. We believe these judgments are reasonable, but these statements are not guarantees of any events or financial results, and our actual results may differ materially due to a variety of important factors, both positive and negative. These factors, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K, include among others the following:

- Our ability to realize production efficiencies and to achieve reductions in costs as a result of our restructuring initiatives and labor modifications;
- Our ability to maintain quality control over our vehicles and avoid material vehicle recalls;
- Our ability to maintain adequate liquidity and financing sources including as required to fund our planned significant investment in new technology;
- Our ability to realize successful vehicle applications of new technology;
- Shortages of and increases or volatility in the price of oil, including as a result of political instability in the Middle East and African nations;
- Our ability to continue to attract customers, particularly for our new products, including cars and crossover vehicles;
- Availability of adequate financing on acceptable terms to our customers, dealers, distributors and suppliers to enable them to continue their business relationships with us;



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

- The ability of our suppliers to deliver parts, systems and components without disruption and at such times to allow us to meet production schedules;
- Our ability to manage the distribution channels for our products;
- Our ability to successfully restructure our European and consolidated international operations;
- The continued availability of both wholesale and retail financing from Ally Financial and its affiliates and other finance companies in markets in which we operate to support our ability to sell vehicles, which is dependent on those entities' ability to obtain funding and their continued willingness to provide financing;
- Our continued ability to develop captive financing capability, including GM Financial;
- GM Financial's ability to successfully integrate certain Ally Financial international operations;
- Overall strength and stability of the automotive industry, both in the U.S. and in global markets, particularly Europe;
- Continued economic instability or poor economic conditions in the U.S., Europe and other global markets, including the credit markets, or changes in economic conditions, commodity prices, housing prices, foreign currency exchange rates or political stability in the markets in which we operate;
- Significant changes in the competitive environment, including the effect of competition and excess manufacturing capacity in our markets, on our pricing policies or use of incentives and the introduction of new and improved vehicle models by our competitors;
- Significant changes in economic, political and market conditions in China, including the effect of competition from new market entrants, on our vehicle sales and market position in China;
- Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations, including where such actions may affect the production, licensing, distribution or sale of our products, the cost thereof or applicable tax rates;
- Costs and risks associated with litigation;
- Significant increases in our pension expense or projected pension contributions resulting from changes in the value of plan assets, the discount rate applied to value the pension liabilities or other assumption changes; and
- Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings.

We caution readers not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors that affect the subject of these statements, except where we are expressly required to do so by law.

\* \* \* \* \*

## Quantitative and Qualitative Disclosures About Market Risk

### Automotive

We enter into a variety of foreign currency exchange and commodity forward contracts and options to manage exposures arising from market risks resulting from changes in certain foreign currency exchange rates and commodity prices. We do not enter into derivative transactions for speculative purposes.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The overall financial risk management program is under the responsibility of the Risk Management Committee which reviews and, where appropriate, approves strategies to be pursued to mitigate these risks. The Risk Management Committee comprises members of our management and functions under the oversight of the Audit Committee, a committee of the Board of Directors. The Audit Committee assists and guides the Board of Directors in its oversight of our financial and risk management strategies. A risk management control framework is utilized to monitor the strategies, risks and related hedge positions in accordance with the policies and procedures approved by the Risk Management Committee. Our risk management policy intends to protect against risk arising from extreme adverse market movements on our key exposures.

The following analyses provide quantitative information regarding exposure to foreign currency exchange rate risk and interest rate risk. Sensitivity analysis is used to measure the potential loss in the fair value of financial instruments with exposure to market risk. The models used assume instantaneous, parallel shifts in exchange rates and interest rate yield curves. For options and other instruments with nonlinear returns, models appropriate to these types of instruments are utilized to determine the effect of market shifts. There are certain shortcomings inherent in the sensitivity analyses presented, due primarily to the assumption that interest rates change in a parallel fashion and that spot exchange rates change instantaneously. In addition the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled and do not contemplate the effects of correlations between foreign currency pairs or offsetting long-short positions in currency pairs which may significantly reduce the potential loss in value.

### *Foreign Currency Exchange Rate Risk*

We have foreign currency exposures related to buying, selling and financing in currencies other than the functional currencies of the operations. At December 31, 2013 our most significant foreign currency exposures were the Euro/British Pound, U.S. Dollar/Korean Won, Euro/Korean Won and Euro/U.S. Dollar. Derivative instruments such as foreign currency forwards, swaps and options are used primarily to hedge exposures with respect to forecasted revenues, costs and commitments denominated in foreign currencies. At December 31, 2013 such contracts had remaining maturities of up to 23 months.

At December 31, 2013 and 2012 the net fair value liability of financial instruments with exposure to foreign currency risk was \$1.0 billion and \$4.0 billion. This presentation utilizes a population of foreign currency exchange derivatives, embedded derivatives and foreign currency denominated debt and excludes the offsetting effect of foreign currency cash, cash equivalents and other assets. The potential loss in fair value for such financial instruments from a 10% adverse change in all quoted foreign currency exchange rates would be \$195 million and \$671 million at December 31, 2013 and 2012.

We are exposed to foreign currency risk due to the translation and remeasurement of the results of certain international operations into U.S. Dollars as part of the consolidation process. Fluctuations in foreign currency exchange rates can therefore create volatility in the results of operations and may adversely affect our financial condition.

The following table summarizes the amounts of automotive foreign currency translation and transaction and remeasurement losses (dollars in millions):

	Years Ended December 31,	
	2013	2012
Foreign currency translation losses recorded in Accumulated other comprehensive loss . . . . .	\$ 729	\$ 118
Losses resulting from foreign currency transactions and remeasurements recorded in earnings . . . . .	\$ 352	\$ 117

### *Interest Rate Risk*

We are subject to market risk from exposure to changes in interest rates related to certain financial instruments, primarily debt, capital lease obligations and certain marketable securities. At December 31, 2013 we did not have any interest rate swap positions to manage interest rate exposures in our automotive operations. At December 31, 2013 and 2012 the fair value liability of debt and capital leases was \$6.8 billion and \$5.3 billion. The potential increase in fair value resulting from a 10% decrease in quoted interest rates would be \$251 million and \$112 million at December 31, 2013 and 2012.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

At December 31, 2013 and 2012 we had marketable securities of \$7.2 billion and \$3.8 billion classified as available-for sale and \$1.7 billion and \$5.2 billion classified as trading. The potential decrease in fair value from a 50 basis point increase in interest rates would be insignificant at December 31, 2013 and 2012.

### **Automotive Financing — GM Financial**

Fluctuations in market interest rates can affect GM Financial's secured and unsecured debt. GM Financial's gross interest rate spread, which is the difference between: (1) interest earned on finance receivables, other income and lease contracts; and (2) interest paid, is affected by changes in interest rates as a result of GM Financial's dependence upon the issuance of variable rate securities and the incurrence of variable rate debt to fund purchases of finance receivables and leased vehicles.

#### ***Credit Facilities***

Fixed interest rate receivables purchased by GM Financial are pledged to secure borrowings under its credit facilities. Amounts borrowed under these credit facilities bear interest at variable rates that are subject to frequent adjustments to reflect prevailing market interest rates. To protect the interest rate spread within each credit facility, GM Financial is contractually required to enter into interest rate cap agreements in connection with borrowings under its credit facilities.

#### ***Securitizations***

In GM Financial's securitization transactions it can transfer fixed rate finance receivables to securitization trusts that, in turn, sell either fixed rate or floating rate securities to investors. Derivative financial instruments, such as interest rate swaps and caps, are used to manage the gross interest rate spread on the floating rate transactions.

GM Financial had interest rate swaps and caps in asset positions with notional amounts of \$3.8 billion and \$0.8 billion at December 31, 2013 and 2012. GM Financial had interest rate swaps and caps in liability positions with notional amounts of \$5.5 billion and \$0.8 billion at December 31, 2013 and 2012. The fair value of these derivative financial instruments was insignificant.

#### ***Foreign Currency Exchange Rate Risk***

GM Financial is exposed to foreign currency risk due to the translation and remeasurement of the results of certain international operations, primarily those acquired from Ally Financial at various dates in 2013, into U.S. Dollars as part of the consolidation process. Fluctuations in foreign currency exchange rates can therefore create volatility in the results of operations and may adversely affect GM Financial's financial condition.

In connection with the closing of certain acquisitions of Ally Financial's international operations, GM Financial provided loans denominated in foreign currencies (Euro, British Pound and Swedish Krona) to acquired entities that had an equivalent balance of \$1.7 billion at December 31, 2013. GM Financial purchased foreign exchange swaps to offset any valuation change in the loans due to changes in foreign exchange rates. The fair value of these foreign exchange swaps was insignificant.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

The following table summarizes GM Financial's interest rate sensitive assets and liabilities, excluding derivatives, by year of expected maturity and the fair value of those assets and liabilities at December 31, 2013 (dollars in millions):

	Years Ending December 31,						December 31, 2013
	2014	2015	2016	2017	2018	Thereafter	Fair Value
<b>Assets</b>							
Consumer finance receivables							
Principal amounts .....	\$ 9,576	\$ 6,642	\$ 4,162	\$ 2,050	\$ 820	\$ 290	22,652
Weighted-average annul percentage rate .....	10.76%	10.97%	11.17%	11.73%	12.28%	12.80%	
Commercial finance receivables							
Principal amounts .....	\$ 5,731	\$ 22	\$ 25	\$ 94	\$ 117	\$ 6	6,016
Weighted-average annual percentage rate .....	6.82%	4.73%	4.59%	4.50%	7.40%	5.69%	
<b>Liabilities</b>							
Credit facilities							
Principal amounts .....	\$ 6,297	\$ 1,699	\$ 796	\$ 224	\$ 19	\$ —	8,995
Weighted-average interest rate .....	4.95%	6.39%	6.39%	8.17%	8.34%	—%	
Securitization notes							
Principal amounts .....	\$ 5,218	\$ 4,084	\$ 2,321	\$ 1,114	\$ 348	\$ —	13,175
Weighted-average interest rate .....	1.91%	2.12%	2.40%	2.71%	2.88%	—%	
Senior notes							
Principal amounts .....	\$ —	\$ —	\$ 1,000	\$ 1,000	\$ 1,250	\$ 750	4,106
Weighted-average interest rate .....	—%	—%	2.75%	4.75%	4.65%	4.25%	

The following table summarizes GM Financial's interest rate sensitive assets and liabilities, excluding derivatives, by year of expected maturity and the fair value of those assets and liabilities at December 31, 2012 (dollars in millions):

	Years Ended and Ending December 31,						December 31, 2012 Fair Value
	2013	2014	2015	2016	2017	Thereafter	
<b>Assets</b>							
Consumer finance receivables							
Principal amounts . . . . .	\$ 4,108	\$ 2,860	\$ 1,895	\$ 1,209	\$ 673	\$ 315	10,759
Weighted-average annual percentage rate . . . . .	14.54%	14.39%	14.25%	14.10%	13.95%	13.84%	
Commercial finance receivables							
Principal amounts . . . . .	\$ 507	\$ 6	\$ 3	\$ 3	\$ 35	\$ 6	554
Weighted-average annual percentage rate . . . . .	3.78%	3.80%	3.76%	3.78%	3.47%	4.53%	
<b>Liabilities</b>							
Credit facilities							
Principal amounts . . . . .	\$ 354	\$ —	\$ —	\$ —	\$ —	\$ —	354
Weighted-average interest rate . . . . .	0.64%	—%	—%	—%	—%	—%	
Securitization notes							
Principal amounts . . . . .	\$ 3,406	\$ 2,324	\$ 1,772	\$ 1,073	\$ 438	\$ —	9,171
Weighted-average interest rate . . . . .	2.33%	2.70%	3.03%	3.05%	2.99%	—%	
Senior notes							
Principal amounts . . . . .	\$ —	\$ —	\$ —	\$ —	\$ 1,000	\$ 500	1,620
Weighted-average interest rate . . . . .	—%	—%	—%	—%	4.75%	6.75%	

GM Financial estimates the realization of finance receivables in future periods using discount rate, prepayment and credit loss assumptions similar to its historical experience. Credit facilities and securitization notes payable amounts have been classified based on expected payoff. Senior notes and convertible senior notes principal amounts have been classified based on maturity.

\* \* \* \* \*

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General Motors Company, its Directors, and Stockholders:

We have audited the internal control over financial reporting of General Motors Company and subsidiaries (the Company) as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated February 6, 2014 expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to the Company's adoption of a revised accounting standard related to comprehensive income.



Deloitte & Touche LLP  
Detroit, Michigan  
February 6, 2014

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General Motors Company, its Directors, and Stockholders:

We have audited the accompanying Consolidated Balance Sheets of General Motors Company and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Company and subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted amendments in Accounting Standards Update (ASU) 2013-02 to Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*, effective January 1, 2013.

As discussed in Note 10 to the consolidated financial statements, the Company adopted amendments in ASU 2010-28 to ASC Topic 350, *Intangibles — Goodwill and Other*, effective January 1, 2011.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 6, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Detroit, Michigan  
February 6, 2014



Financial Statements and Supplementary Data

GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(In millions, except per share amounts)

	Years Ended December 31,		
	2013	2012	2011
<b>Net sales and revenue</b>			
Automotive .....	\$ 152,092	\$ 150,295	\$ 148,866
GM Financial .....	3,335	1,961	1,410
Total .....	155,427	152,256	150,276
<b>Costs and expenses</b>			
Automotive cost of sales .....	134,925	140,236	130,386
GM Financial operating and other expenses .....	2,448	1,207	785
Automotive selling, general and administrative expense .....	12,382	14,031	12,163
Goodwill impairment charges (Note 10) .....	541	27,145	1,286
Total costs and expenses .....	150,296	182,619	144,620
Operating income (loss) .....	5,131	(30,363)	5,656
Automotive interest expense .....	334	489	540
Interest income and other non-operating income, net (Note 20) .....	1,063	845	851
Gain (loss) on extinguishment of debt (Note 14) .....	(212)	(250)	18
Equity income and gain on investments (Note 8) .....	1,810	1,562	3,192
Income (loss) before income taxes .....	7,458	(28,695)	9,177
Income tax expense (benefit) (Note 18) .....	2,127	(34,831)	(110)
<b>Net income</b> .....	5,331	6,136	9,287
Net (income) loss attributable to noncontrolling interests .....	15	52	(97)
<b>Net income attributable to stockholders</b> .....	\$ 5,346	\$ 6,188	\$ 9,190
<b>Net income attributable to common stockholders</b> .....	\$ 3,770	\$ 4,859	\$ 7,585
<b>Earnings per share (Note 22)</b>			
<b>Basic</b>			
Basic earnings per common share .....	\$ 2.71	\$ 3.10	\$ 4.94
Weighted-average common shares outstanding .....	1,393	1,566	1,536
<b>Diluted</b>			
Diluted earnings per common share .....	\$ 2.38	\$ 2.92	\$ 4.58
Weighted-average common shares outstanding .....	1,676	1,675	1,668

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In millions)**

	Years Ended December 31,		
	2013	2012	2011
<b>Net income</b> .....	\$ 5,331	\$ 6,136	\$ 9,287
<b>Other comprehensive income (loss), net of tax (Note 21)</b>			
Foreign currency translation adjustments .....	(733)	(103)	(183)
Cash flow hedging gains (losses), net .....	—	(2)	25
Unrealized gains (losses) on securities, net .....	(39)	45	1
Defined benefit plans, net .....	5,693	(2,120)	(6,958)
Other comprehensive income (loss), net of tax .....	4,921	(2,180)	(7,115)
<b>Comprehensive income</b> .....	10,252	3,956	2,172
Comprehensive (income) loss attributable to noncontrolling interests .....	33	41	(87)
<b>Comprehensive income attributable to stockholders</b> .....	<u>\$ 10,285</u>	<u>\$ 3,997</u>	<u>\$ 2,085</u>

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(In millions, except share amounts)**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 20,021	\$ 18,422
Marketable securities (Note 5)	8,972	8,988
Restricted cash and marketable securities (Note 5)	1,247	686
Accounts and notes receivable (net of allowance of \$344 and \$311; Note 2)	8,535	10,395
GM Financial receivables, net (Note 4)(including SPE receivables of \$10,001 and \$3,444; Note 12)	14,278	4,044
Inventories (Note 6)	14,039	14,714
Equipment on operating leases, net (Note 7)	2,398	1,782
Deferred income taxes (Note 18)	10,349	9,429
Other current assets	1,662	1,536
Total current assets	81,501	69,996
<b>Non-current Assets</b>		
Restricted cash and marketable securities (Note 5)	829	682
GM Financial receivables, net (Note 4)(including SPE receivables of \$11,216 and \$6,458; Note 12)	14,354	6,954
Equity in net assets of nonconsolidated affiliates (Note 8)	8,094	6,883
Property, net (Note 9)	25,867	24,196
Goodwill (Note 10)	1,560	1,973
Intangible assets, net (Note 11)	5,668	6,809
GM Financial equipment on operating leases, net (Note 7)(including SPE assets of \$1,803 and \$540; Note 12)	3,383	1,649
Deferred income taxes (Note 18)	22,736	27,922
Other assets	2,352	2,358
Total non-current assets	84,843	79,426
<b>Total Assets</b>	<u>\$ 166,344</u>	<u>\$ 149,422</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable (principally trade)	\$ 23,621	\$ 25,166
Short-term debt and current portion of long-term debt (Note 14)		
Automotive (including certain debt at VIEs of \$219 and \$228; Note 12)	564	1,748
GM Financial (including certain debt at VIEs of \$10,088 and \$3,770; Note 12)	13,594	3,770
Accrued liabilities (Note 13)	24,633	23,308
Total current liabilities	62,412	53,992
<b>Non-current Liabilities</b>		
Long-term debt (Note 14)		
Automotive (including certain debt at VIEs of \$23 and \$122; Note 12)	6,573	3,424
GM Financial (including certain debt at VIEs of \$9,330 and \$5,608; Note 12)	15,452	7,108
Postretirement benefits other than pensions (Note 15)	5,897	7,309
Pensions (Note 15)	19,483	27,420
Other liabilities and deferred income taxes (Note 13)	13,353	13,169
Total non-current liabilities	60,758	58,430
<b>Total Liabilities</b>	123,170	112,422
Commitments and contingencies (Note 17)		
<b>Equity (Note 21)</b>		
Preferred stock, \$0.01 par value		
Series A	3,109	5,536
Series B	—	4,855
Common stock, \$0.01 par value	15	14
Additional paid-in capital	28,780	23,834
Retained earnings	13,816	10,057
Accumulated other comprehensive loss	(3,113)	(8,052)
Total stockholders' equity	42,607	36,244
Noncontrolling interests	567	756
<b>Total Equity</b>	43,174	37,000
<b>Total Liabilities and Equity</b>	<u>\$ 166,344</u>	<u>\$ 149,422</u>

Reference should be made to the notes to consolidated financial statements.



**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In millions)**

	Years Ended December 31,		
	2013	2012	2011
<b>Cash flows from operating activities</b>			
Net income	\$ 5,331	\$ 6,136	\$ 9,287
Depreciation, impairment charges and amortization expense	8,041	38,762	7,427
Foreign currency remeasurement and transaction losses	350	117	55
Amortization of discount and issuance costs on debt issues	114	188	160
Undistributed earnings of nonconsolidated affiliates and gain on investments	(92)	(179)	(1,947)
Pension contributions and OPEB payments	(1,458)	(3,759)	(2,269)
Pension and OPEB (income) expense, net	638	3,232	(755)
(Gains) losses on extinguishment of debt	212	250	(18)
Provision (benefit) for deferred taxes	1,561	(35,561)	(318)
Change in other operating assets and liabilities (Note 26)	(1,326)	630	(4,122)
Other operating activities	(741)	789	666
<b>Net cash provided by operating activities</b>	<b>12,630</b>	<b>10,605</b>	<b>8,166</b>
<b>Cash flows from investing activities</b>			
Expenditures for property	(7,565)	(8,068)	(6,249)
Available-for-sale marketable securities, acquisitions	(6,754)	(4,650)	(20,535)
Trading marketable securities, acquisitions	(3,214)	(6,234)	(6,571)
Available-for-sale marketable securities, liquidations	3,566	10,519	15,825
Trading marketable securities, liquidations	6,538	7,267	660
Acquisition of companies, net of cash acquired	(2,623)	(44)	(53)
Proceeds from sale of business units/investments, net of cash disposed	896	18	4,821
Increase in restricted cash and marketable securities	(984)	(661)	(728)
Decrease in restricted cash and marketable securities	1,107	1,526	2,067
Purchases and funding of finance receivables	(30,727)	(6,789)	(5,012)
Principal collections and recoveries on finance receivables	27,444	4,674	3,719
Purchases of leased vehicles, net	(2,254)	(1,050)	(837)
Proceeds from termination of leased vehicles	217	59	47
Other investing activities	(9)	(72)	106
<b>Net cash used in investing activities</b>	<b>(14,362)</b>	<b>(3,505)</b>	<b>(12,740)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term debt	156	(247)	131
Proceeds from issuance of debt (original maturities greater than three months)	28,041	9,036	9,034
Payments on debt (original maturities greater than three months)	(20,191)	(7,377)	(8,468)
Payments to purchase stock	(2,438)	(5,098)	—
Dividends paid (including charge related to purchase of Series A Preferred Stock)	(1,687)	(939)	(916)
Other financing activities	(150)	(116)	(139)
<b>Net cash provided by (used in) financing activities</b>	<b>3,731</b>	<b>(4,741)</b>	<b>(358)</b>
Effect of exchange rate changes on cash and cash equivalents	(400)	(8)	(253)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,599</b>	<b>2,351</b>	<b>(5,185)</b>
Cash and cash equivalents at beginning of period	18,422	16,071	21,256
<b>Cash and cash equivalents at end of period</b>	<b>\$ 20,021</b>	<b>\$ 18,422</b>	<b>\$ 16,071</b>
<b>Significant Non-cash Activity</b>			
<b>Investing Cash Flows</b>			
Non-cash property additions	\$ 3,224	\$ 3,879	\$ 3,689
<b>Financing Cash Flows</b>			
Contribution of common stock to U.S. hourly and salaried pension plans (Note 15)			\$ 1,864
Notes issued to settle CAW hourly retiree healthcare plan (Note 15)			\$ 1,122
Mandatory conversion of Series B Preferred Stock into common stock (Note 21)	\$ 4,854		

Reference should be made to the notes to consolidated financial statements.

**GENERAL MOTORS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**(In millions)**

	Series A Preferred Stock	Series B Preferred Stock	Common Stockholders'				Noncontrolling Interests	Total Equity
			Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		
<b>Balance December 31, 2010</b>	\$ 5,536	\$ 4,855	\$ 15	\$ 24,257	\$ 266	\$ 1,251	\$ 979	\$ 37,159
Effect of adoption of amendments in ASU 2010-28 regarding								
goodwill impairment (Note 10)	—	—	—	—	(1,466)	—	—	(1,466)
Net income	—	—	—	—	9,190	—	97	9,287
Other comprehensive loss	—	—	—	—	—	(7,105)	(10)	(7,115)
Purchase of noncontrolling interest shares	—	—	—	41	—	(7)	(134)	(100)
Exercise of common stock warrants	—	—	—	11	—	—	—	11
Stock based compensation	—	—	—	219	—	—	—	219
Pension plan stock contribution (Note 15)	—	—	1	1,863	—	—	—	1,864
Cash dividends on Series A Preferred Stock and cumulative								
dividends on Series B Preferred Stock	—	—	—	—	(859)	—	—	(859)
Dividends declared or paid to noncontrolling interest	—	—	—	—	—	—	(54)	(54)
Other	—	—	—	—	52	—	(7)	45
<b>Balance December 31, 2011</b>	5,536	4,855	16	26,391	7,183	(5,861)	871	38,991
Net income	—	—	—	—	6,188	—	(52)	6,136
Other comprehensive income (loss)	—	—	—	—	—	(2,191)	11	(2,180)
Purchase and retirement of common stock	—	—	(2)	(2,652)	(2,455)	—	—	(5,109)
Exercise of common stock warrants	—	—	—	5	—	—	—	5
Stock based compensation	—	—	—	89	—	—	—	89
Conversion of Series B Preferred Stock to common stock	—	—	—	1	—	—	—	1
Cash dividends on Series A Preferred Stock and cumulative								
dividends on Series B Preferred Stock	—	—	—	—	(859)	—	—	(859)
Dividends declared or paid to noncontrolling interest	—	—	—	—	—	—	(80)	(80)
Other	—	—	—	—	—	—	6	6
<b>Balance December 31, 2012</b>	5,536	4,855	14	23,834	10,057	(8,052)	756	37,000
Net income	—	—	—	—	5,346	—	(15)	5,331
Other comprehensive income (loss)	—	—	—	—	—	4,939	(18)	4,921
Purchase and cancellation of Series A Preferred Stock	(2,427)	—	—	—	—	—	—	(2,427)
Exercise of common stock warrants	—	—	—	3	—	—	—	3
Stock based compensation	—	—	—	75	—	—	—	75
Conversion of Series B Preferred Stock to common stock	—	(4,855)	1	4,854	—	—	—	—
Cash dividends paid on Series A Preferred Stock, charge related to								
purchase of Series A Preferred Stock and dividends on Series B								
Preferred Stock	—	—	—	—	(1,587)	—	—	(1,587)
Dividends declared or paid to noncontrolling interest	—	—	—	—	—	—	(82)	(82)
Other	—	—	—	14	—	—	(74)	(60)
<b>Balance December 31, 2013</b>	\$ 3,109	\$ —	\$ 15	\$ 28,780	\$ 13,816	\$ (3,113)	\$ 567	\$ 43,174

Reference should be made to the notes to consolidated financial statements.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1. Nature of Operations and Basis of Presentation**

General Motors Company was formed in 2009 originally as a Delaware limited liability company, Vehicle Acquisition Holdings LLC, and subsequently converted to a Delaware corporation, NGMCO, Inc. This company, which on July 10, 2009 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation through a Section 363 sale under Chapter 11 of the U.S. Bankruptcy Code (363 Sale) and changed its name to General Motors Company, is sometimes referred to in these consolidated financial statements for the periods on or subsequent to July 10, 2009 as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM.” General Motors Corporation is sometimes referred to in these consolidated financial statements, for the periods on or before July 9, 2009, as “Old GM” as it is the predecessor entity solely for accounting and financial reporting purposes. Old GM was renamed Motors Liquidation Company (MLC), which was dissolved on December 15, 2011 and transferred its remaining assets and liabilities to the Motors Liquidation Company GUC Trust (GUC Trust).

We design, build and sell cars, trucks and automobile parts worldwide. We also provide automotive financing services through General Motors Financial Company, Inc. (GM Financial). We analyze the results of our business through our five segments: GM North America (GMNA), GM Europe (GME), GM International Operations (GMIO), GM South America (GMSA) and GM Financial. Nonsegment operations are classified as Corporate. Corporate includes certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures and certain nonsegment specific revenues and expenses.

#### **Principles of Consolidation**

The consolidated financial statements include our accounts and those of our subsidiaries that we control due to ownership of a majority voting interest and our consolidated variable interest entities (VIEs) of which we are the primary beneficiary. We continually evaluate our involvement with VIEs to determine whether we have variable interests and are the primary beneficiary of the VIE. When these criteria are met, we are required to consolidate the VIE. Our share of earnings or losses of nonconsolidated affiliates is included in our consolidated operating results using the equity method of accounting when we are able to exercise significant influence over the operating and financial decisions of the affiliate. We use the cost method of accounting if we are not able to exercise significant influence over the operating and financial decisions of the affiliate. All intercompany balances and transactions have been eliminated in consolidation.

Certain prior year amounts were reclassified to conform to our current year presentation.

#### **Use of Estimates in the Preparation of the Financial Statements**

The consolidated financial statements are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments and assumptions that affect the amounts of assets and liabilities at the reporting date and the amounts of revenue and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

#### **GM Financial**

The amounts presented for GM Financial have been adjusted to include the effect of our tax attributes on GM Financial’s deferred tax positions and provision for income taxes since the date of acquisition, which are not applicable to GM Financial on a stand-alone basis, and to eliminate the effect of transactions between GM Financial and the other members of the consolidated group. Accordingly, the amounts presented will differ from those presented by GM Financial on a stand-alone basis.

#### **Note 2. Significant Accounting Policies**

The accounting policies which follow are utilized by our automotive and automotive financing operations, unless otherwise indicated.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Revenue Recognition

##### *Automotive*

Automotive net sales and revenue are primarily composed of revenue generated from the sale of vehicles. Vehicle sales are recorded when title and all risks and rewards of ownership have passed to our customers. For the majority of our automotive sales this occurs when a vehicle is released to the carrier responsible for transporting to a dealer and when collectability is reasonably assured. Vehicle sales are recorded when the vehicle is delivered to the dealer in most remaining cases. Provisions for recurring dealer and customer sales and leasing incentives, consisting of allowances and rebates, are recorded as reductions to Automotive net sales and revenue at the time of vehicle sales. All other incentives, allowances and rebates related to vehicles previously sold are recorded as reductions to Automotive net sales and revenue when announced.

Vehicle sales to daily rental car companies with guaranteed repurchase obligations are accounted for as operating leases. Estimated lease revenue is recorded ratably over the estimated term of the lease based on the difference between net sales proceeds and the guaranteed repurchase amount. The difference between the cost of the vehicle and estimated residual value is depreciated on a straight-line basis over the estimated term of the lease.

##### *Automotive Financing — GM Financial*

Finance income earned on receivables is recognized using the effective interest method for consumer financing receivables and accrual method for commercial financing receivables. Fees and commissions (including incentive payments) received and direct costs of originating loans are deferred and amortized over the term of the related finance receivables using the effective interest method and are removed from the consolidated balance sheets when the related finance receivables are sold, charged off or paid in full. Accrual of finance charge income is generally suspended on accounts that are more than 60 days delinquent, accounts in bankruptcy and accounts in repossession. Payments received on nonaccrual loans are first applied to any fees due, then to any interest due and then any remaining amounts are recorded to principal. Interest accrual generally resumes once an account has received payments bringing the delinquency to less than 60 days past due.

Income from operating lease assets, which includes lease origination fees, net of lease origination costs and incentives, is recorded as operating lease revenue on a straight-line basis over the term of the lease agreement.

#### Advertising and Promotion Expenditures

Advertising and promotion expenditures, which are expensed as incurred, were \$5.5 billion, \$5.4 billion and \$5.2 billion in the years ended December 31, 2013, 2012 and 2011.

#### Research and Development Expenditures

Research and development expenditures, which are expensed as incurred, were \$7.2 billion, \$7.4 billion and \$8.1 billion in the years ended December 31, 2013, 2012 and 2011.

#### Cash Equivalents

Cash equivalents are defined as short-term, highly-liquid investments with original maturities of 90 days or less.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Allowance for Doubtful Accounts

The following table summarizes activity in our allowance for doubtful accounts and notes receivable (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Balance at beginning of period . . . . .	\$ 311	\$ 331	\$ 252
Amounts charged (credited) to costs and expenses . . . . .	61	(10)	159
Deductions . . . . .	(24)	(46)	(83)
Other . . . . .	(4)	36	3
Balance at end of period . . . . .	<u>\$ 344</u>	<u>\$ 311</u>	<u>\$ 331</u>

#### Fair Value Measurements

A three-level valuation hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions based on the best evidence available. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for *identical* instruments in active markets;
- Level 2 — Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- Level 3 — Instruments whose significant inputs are *unobservable*.

Financial instruments are transferred in and/or out of Level 1, 2 or 3 at the beginning of the accounting period in which there is a change in the valuation inputs.

#### Marketable Securities

We classify marketable securities as available-for-sale or trading. Various factors, including turnover of holdings and investment guidelines, are considered in determining the classification of securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses recorded net of related income taxes in Accumulated other comprehensive loss until realized. Trading securities are recorded at fair value with changes in fair value recorded in Interest income and other non-operating income, net. We determine realized gains and losses for all securities using the specific identification method.

We measure the fair value of our marketable securities using a market approach where identical or comparable prices are available and an income approach in other cases. Securities are classified in Level 1 when quoted prices in an active market for identical securities are available. If quoted market prices are not available, fair values of securities are determined using prices from a pricing service, pricing models, quoted prices of securities with similar characteristics or discounted cash flow models and are generally classified in Level 2. These prices represent non-binding quotes. U.S. government and agency securities, sovereign debt and corporate debt securities are classified in Level 2. Our pricing service utilizes industry-standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads and benchmark securities as well as other relevant economic measures. We conduct an annual review of our pricing service. This review includes discussion and analysis of the inputs used by the pricing service to provide prices for the types of securities we hold. These inputs include prices for comparable securities, bid/ask quotes, interest rate yields and prepayment speeds. Based on our review we believe the prices received from our pricing service are a reliable representation of exit prices. Securities are classified in Level 3 in certain cases where there are unobservable inputs to the valuation in the marketplace. Level 3 financial instruments typically include, in addition to the unobservable inputs, observable components that are validated to external sources.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

An evaluation is made quarterly to determine if unrealized losses related to non-trading investments in securities are other-than-temporary. Factors considered in determining whether a loss on a marketable security is other-than-temporary include: (1) the length of time and extent to which the fair value has been below cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent to sell or likelihood to be forced to sell the security before any anticipated recovery.

#### Finance Receivables

As the result of our October 2010 acquisition of GM Financial and GM Financial's acquisition of the Ally Financial, Inc. (Ally Financial) international operations, finance receivables are reported in two portfolios: pre-acquisition and post-acquisition portfolios. The pre-acquisition finance receivables portfolio consists of finance receivables that were considered to have had deterioration in credit quality at the time they were acquired with the acquisition of GM Financial or the acquisition of the Ally Financial international operations. The pre-acquisition portfolio will decrease over time with the amortization of the acquired receivables. The post-acquisition finance receivables portfolio consists of finance receivables that were considered to have had no deterioration in credit quality at the time they were acquired with the acquisition of the Ally Financial international operations and finance receivables originated since the acquisitions of GM Financial and the Ally Financial international operations. The post-acquisition portfolio is expected to grow over time as GM Financial originates new receivables.

##### *Pre-Acquisition Consumer Finance Receivables*

At the time of acquisitions the receivables were recorded at fair value. The pre-acquisition finance receivables were acquired at a discount, which contains two components: a non-accretable difference and an accretable yield. The accretable yield is recorded as finance charge income over the life of the acquired receivables.

Any deterioration in the performance of the pre-acquisition finance receivables from their expected performance will result in an incremental provision for loan losses. Improvements in the performance of the pre-acquisition finance receivables will result first in the reversal of any incremental related allowance for loan losses and then in a transfer of the excess from the non-accretable difference to accretable yield, which will be recorded as finance charge income over the remaining life of the receivables.

##### *Post-Acquisition Consumer Finance Receivables and Allowance for Loan Losses*

Post-acquisition finance receivables originated since the acquisitions of GM Financial and the Ally Financial international operations are carried at amortized cost, net of allowance for loan losses.

The component of the allowance for consumer finance receivables that are collectively evaluated for impairment is based on a statistical calculation supplemented by management judgment. GM Financial uses a combination of forecasting models to determine the allowance for loan losses. Factors that are considered when estimating the allowance include loss confirmation period, historical delinquency migration to loss, probability of default and loss given default. The loss confirmation period is a key assumption within the models, which represents the average amount of time between when a loss event first occurs to when the receivable is charged-off.

Consumer finance receivables that become classified as troubled debt restructurings (TDRs) are separately assessed for impairment. A specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate.

The finance receivables acquired with Ally Financial international operations that were considered to have no deterioration in credit quality at the time of acquisition were recorded at fair value. The purchase discount will accrete to income over the life of the receivables, based on contractual cash flows, using the effective interest method. Provisions for loan losses are charged to operations in amounts equal to net credit losses for the period. Any subsequent deterioration in the performance of the acquired receivables will result in an incremental provision for loan losses.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Inventory

Inventories are stated at the lower of cost or market. Market, which represents selling price less cost to sell, considers general market and economic conditions, periodic reviews of current profitability of vehicles, product warranty costs and the effect of current and expected incentive offers at the balance sheet date. Market for off-lease and other vehicles is current auction sales proceeds less disposal and warranty costs. Productive material, work in process, supplies and service parts are reviewed to determine if inventory quantities are in excess of forecasted usage or if they have become obsolete.

#### Equipment on Operating Leases, net

Equipment on operating leases, net is reported at cost, less accumulated depreciation, net of origination fees or costs, and lease incentives. Estimated income from operating lease assets, which includes lease origination fees, net of lease origination costs, is recorded as operating lease revenue on a straight-line basis over the term of the lease agreement. Leased vehicles are depreciated on a straight-line basis to an estimated residual value over the term of the lease agreements.

We have significant investments in vehicles in operating lease portfolios, which are composed of vehicle leases to retail customers with lease terms of up to 60 months and vehicles leased to rental car companies with lease terms that average eight months or less. We are exposed to changes in the residual values of those assets. For impairment purposes the residual values represent estimates of the values of the vehicles leased at the end of the lease contracts and are determined based on forecasted auction proceeds when there is a reliable basis to make such a determination. Realization of the residual values is dependent on the future ability to market the vehicles under the prevailing market conditions. The adequacy of the estimate of the residual value is evaluated over the life of the lease and adjustments may be made to the extent the expected value of the vehicle at lease termination changes. Adjustments may be in the form of revisions to the depreciation rate or recognition of an impairment charge. Impairment is determined to exist if the expected future cash flows, which include estimated residual values, are lower than the carrying amount of the vehicles leased. If the carrying amount is considered impaired, an impairment charge is recorded for the amount by which the carrying amount exceeds the fair value. Fair value is determined primarily using the anticipated cash flows, including estimated residual values.

In our Automotive operations when a leased vehicle is returned the asset is reclassified from Equipment on operating leases, net to Inventories at the lower of cost or estimated selling price, less cost to sell. In our Automotive Finance operations when a leased vehicle is returned or repossessed the asset is recorded in Other assets at the lower of cost or estimated selling price, less costs to sell. Upon disposition a gain or loss is recorded for any difference between the net book value of the leased asset and the proceeds from the disposition of the asset.

Impairment charges related to Equipment on operating leases, net are recorded in Automotive cost of sales or GM Financial operating and other expenses.

#### Valuation of Cost and Equity Method Investments

When events and circumstances warrant, investments accounted for under the cost or equity method of accounting are evaluated for impairment. An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered. Impairment charges related to equity method investments are recorded in Equity income and gain on investments. Impairment charges related to cost method investments are recorded in Interest income and other non-operating income, net.

#### Property, net

Property, plant and equipment, including internal use software, is recorded at cost. Major improvements that extend the useful life or add functionality of property are capitalized. The gross amount of assets under capital leases is included in property, plant and

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

equipment. Expenditures for repairs and maintenance are charged to expense as incurred. We depreciate all depreciable property using the straight-line method. Leasehold improvements are amortized over the period of lease or the life of the asset, whichever is shorter. The amortization of the assets under capital leases is included in depreciation expense. Upon retirement or disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in earnings. Impairment charges related to property are recorded in Automotive cost of sales, Automotive selling, general and administrative expense or GM Financial operating and other expenses.

#### Special Tools

Special tools represent product-specific powertrain and non-powertrain related tools, dies, molds and other items used in the vehicle manufacturing process. Expenditures for special tools are recorded at cost and are capitalized. We amortize all non-powertrain special tools over their estimated useful lives using an accelerated amortization method. We amortize powertrain special tools over their estimated useful lives using the straight-line method. Impairment charges related to special tools are recorded in Automotive cost of sales.

#### Goodwill

Goodwill arises from the application of fresh-start reporting and acquisitions accounted for as business combinations. Goodwill is tested for impairment for all reporting units on an annual basis during the fourth quarter, or more frequently if events occur or circumstances change that would warrant such a review. When the fair value of a reporting unit falls below its carrying amount an impairment charge is recorded for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values of reporting units are established using a discounted cash flow method. Where available and as appropriate, comparative market multiples and the quoted market price for our common stock are used to corroborate the results of the discounted cash flow method. Our reporting units are GMNA and GME and various reporting units within the GMIO, GMSA and GM Financial segments. Due to the integrated nature of our manufacturing operations and the sharing of assets, other resources and vehicle platforms among brands within GMNA and GME and because financial information by brand or country is not discrete below the operating segment level, GMNA and GME do not contain reporting units below the operating segment level. GMIO, GMSA and GM Financial are less integrated given the lack of regional trade pacts and other unique geographical differences and thus contain separate reporting units below the operating segment level. Goodwill would be reassigned on a relative-fair-value basis to a portion of a reporting unit to be disposed of or upon the reorganization of the composition of one or more of our reporting units, unless the reporting unit was never integrated.

#### Intangible Assets, net

Intangible assets, excluding Goodwill, primarily include brand names (including defensive intangibles associated with discontinued brands), technology and intellectual property, customer relationships and dealer networks.

Intangible assets are amortized on a straight-line or an accelerated method of amortization over their estimated useful lives. An accelerated amortization method reflecting the pattern in which the asset will be consumed is utilized if that pattern can be reliably determined. We consider the period of expected cash flows and underlying data used to measure the fair value of the intangible assets when selecting a useful life. Impairment charges related to intangible assets are recorded in Automotive selling, general and administrative expense or Automotive cost of sales.

Amortization of developed technology and intellectual property is recorded in Automotive cost of sales. Amortization of brand names, customer relationships and our dealer networks is recorded in Automotive selling, general and administrative expense or GM Financial operating and other expenses.

#### Valuation of Long-Lived Assets

The carrying amount of long-lived assets and finite-lived intangible assets to be held and used in the business are evaluated for impairment when events and circumstances warrant. If the carrying amount of a long-lived asset group is considered impaired, a loss



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

is recorded based on the amount by which the carrying amount exceeds fair value. Product-specific long-lived asset groups are tested for impairment at the platform or vehicle line level and consider their geographical location. Non-product specific long-lived assets are tested for impairment on a reporting unit basis in GMNA and GME and tested at or within our various reporting units within our GMIO, GMSA and GM Financial segments. Fair value is determined using either the market or sales comparison approach, cost approach or anticipated cash flows discounted at a rate commensurate with the risk involved. Long-lived assets to be disposed of other than by sale are considered held for use until disposition. Product-specific assets may become impaired as a result of declines in profitability due to changes in volume, pricing or costs.

#### **Pension and Other Postretirement Plans**

##### *Attribution, Methods and Assumptions*

The cost of benefits provided by defined benefit pension plans is recorded in the period employees provide service. The cost of pension plan amendments that provide for benefits already earned by plan participants is amortized over the expected period of benefit which may be: (1) the duration of the applicable collective bargaining agreement specific to the plan; (2) expected future working lifetime; or (3) the life expectancy of the plan participants.

The cost of medical, dental, legal service and life insurance benefits provided through postretirement benefit plans is recorded in the period employees provide service. The cost of postretirement plan amendments that provide for benefits already earned by plan participants is amortized over the expected period of benefit which may be the average period to full eligibility or the average life expectancy of the plan participants, or the period to the plan's termination date for a plan which provides legal services.

An expected return on plan asset methodology is utilized to calculate future pension expense for certain significant funded benefit plans. A market-related value of plan assets methodology is also utilized that averages gains and losses on the plan assets over a period of years to determine future pension expense. The methodology recognizes 60% of the difference between the fair value of assets and the expected calculated value in the first year and 10% of that difference over each of the next four years.

The discount rate assumption is established for each of the retirement-related benefit plans at their respective measurement dates. In the U.S. we use a cash flow matching approach that uses projected cash flows matched to spot rates along a high quality corporate yield curve to determine the present value of cash flows to calculate a single equivalent discount rate.

The benefit obligation for pension plans in Canada, the United Kingdom and Germany represents 92% of the non-U.S. pension benefit obligation at December 31, 2013. The discount rates for plans in Canada, the United Kingdom and Germany are determined using a cash flow matching approach, similar to the U.S. approach.

In countries other than the U.S., Canada, the United Kingdom and those located in the Eurozone discount rates are established depending on the local financial markets, using a high quality yield curve based on local bonds, a yield curve adjusted to reflect local conditions or local actuarial standards.

##### *Plan Asset Valuation*

##### *Cash Equivalents and Other Short-Term Investments*

Money market funds and other similar short-term investment funds are valued using the net asset value per share (NAV). Prices for short-term debt securities are received from independent pricing services or from dealers who make markets in such securities. Independent pricing services utilize matrix pricing which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices. Money market mutual funds which provide investors with the ability to redeem their interests on a daily basis and for which NAVs are publicly available are classified in Level 1. Other cash equivalents and short-term investments are classified in Level 2.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### *Common and Preferred Stock*

Common and preferred stock for which market prices are readily available at the measurement date are valued at the last reported sale price or official closing price on the primary market or exchange on which they are actively traded and are classified in Level 1. Such equity securities for which the market is not considered to be active are valued via the use of observable inputs, which may include, among others, the use of adjusted market prices last available, bids or last available sales prices and/or other observable inputs and are classified in Level 2. Common and preferred stock classified in Level 3 are those privately issued securities or other issues that are valued via the use of valuation models using significant unobservable inputs that generally consider among others, aged (stale) pricing, earnings multiples, discounted cash flows and/or other qualitative and quantitative factors.

#### *Fixed Income Securities*

Fixed income securities are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Debt securities which are priced via the use of pricing services that utilize matrix pricing which considers readily observable inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices, are classified in Level 2. Fixed income securities within this category that are typically priced by dealers and pricing services via the use of proprietary pricing models which incorporate significant unobservable inputs are classified in Level 3. These inputs primarily consist of yield and credit spread assumptions, discount rates, prepayment curves, default assumptions and recovery rates.

#### *Investment Funds, Private Equity and Debt Investments and Real Estate Investments*

Investments in exchange traded funds, real estate investment trusts and mutual funds, for which market quotations are generally readily available, are valued at the last reported sale price, official closing price or publicly available NAV (or its equivalent) on the primary market or exchange on which they are traded and are classified in Level 1. Investments in private investment funds (including hedge funds, private equity funds and real estate funds) are generally valued based on their respective NAV (or its equivalent), as a practical expedient to estimate fair value due to the absence of readily available market prices. Investments in private investment funds, which may be fully redeemed at NAV in the near-term are generally classified in Level 2. Investments in funds, which may not be fully redeemed at NAV in the near-term, are generally classified in Level 3.

Direct investments in private equity, private debt and real estate securities, are generally valued in good faith via the use of the market approach (earnings multiples from comparable companies) or the income approach (discounted cash flow techniques), and consider inputs such as revenue growth and gross margin assumptions, discount rates, discounts for lack of liquidity, market capitalization rates, and the selection of comparable companies. As these valuations incorporate significant unobservable inputs they are classified in Level 3.

Fair value estimates for private investment funds, private equity, private debt and real estate investments are provided by the respective investment sponsors or investment advisers and are subsequently reviewed and approved by management. In the event management concludes a reported NAV or fair value estimate (collectively, external valuation) does not reflect fair value or is not determined as of the financial reporting measurement date, we will consider whether and when deemed necessary to make an adjustment at the balance sheet date. In determining whether an adjustment to the external valuation is required, we will review material factors that could affect the valuation, such as changes to the composition or performance of the underlying investments or comparable investments, overall market conditions, expected sale prices for private investments which are probable of being sold in the short term and other economic factors that may possibly have a favorable or unfavorable effect on the reported external valuation.

#### *Derivatives*

Exchange traded derivatives, such as options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified in Level 1. Over-the-counter derivatives, including but not limited to swaps, swaptions and forwards, which are typically valued through

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

independent pricing services with observable inputs are generally classified in Level 2. Swaps that are cleared by clearinghouses or exchanges are valued with the prices provided by those venues and are generally classified in Level 2. Derivatives classified in Level 3 are typically valued via the use of pricing models which incorporate significant unobservable inputs, but may also include derivatives which are valued with the use of significant observable inputs which are not subject to corroboration. The inputs part of the model based valuations may include extrapolated or model-derived assumptions such as volatilities, yield and credit spread assumptions.

Due to the lack of timely available market information for certain investments in the asset classes described above as well as the inherent uncertainty of valuation, reported fair values may differ from fair values that would have been used had timely available market information been available.

#### **Job Security Programs and Extended Disability Benefits**

We have job security programs to provide International Union, United Automobile, Aerospace and Agriculture Implement Workers of America (UAW) and Canadian Auto Workers Union (CAW) employees reduced wages and continued coverage under certain employee benefit programs depending on the employee's classification as well as the number of years of service that the employee has accrued. We also provide extended disability benefits for employees currently disabled and those in the active workforce who may become disabled in the form of income replacement, healthcare costs and life insurance premiums.

We recognize a liability for job security programs and extended disability benefits over the expected service period using measurement provisions similar to those used to measure our other postretirement benefits (OPEB) obligations based on our best estimate of the probable liability at the measurement date. We record actuarial gains and losses immediately in earnings.

#### **Stock Incentive Plans**

We measure and record compensation expense for all share-based payment awards based on the award's estimated fair value which is the fair value of our common stock on the date of grant, or for restricted stock units (RSUs) granted prior to our public offering, the fair value of our common stock as of the date of the public offering. We record compensation cost for the awards on a straight-line basis over the entire vesting period, or for retirement eligible employees over the requisite service period. Salary stock awards granted are fully vested and nonforfeitable upon grant; therefore, compensation cost is recorded on the date of grant. The liability for stock incentive plan awards settled in cash is remeasured to fair value at the end of each reporting period.

#### **Policy, Product Warranty and Recall Campaigns**

The estimated costs related to policy and product warranties are accrued at the time products are sold and are charged to Automotive cost of sales. These estimates are established using historical information on the nature, frequency and average cost of claims of each vehicle line or each model year of the vehicle line and assumptions about future activity and events. Revisions are made when necessary based on changes in these factors. Trends of claims are actively studied and actions are taken to improve vehicle quality and minimize claims. The estimated costs related to product recalls based on a formal campaign soliciting return of that product are accrued when they are deemed to be probable and can be reasonably estimated.

#### **Income Taxes**

The liability method is used in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements using the statutory tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recorded in the results of operations in the period that includes the enactment date under the law.

Deferred income tax assets are evaluated quarterly to determine if valuation allowances are required or should be adjusted. We establish valuation allowances for deferred tax assets based on a more likely than not standard. The ability to realize deferred tax

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

assets depends on the ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available positive and negative evidence factors.

It is difficult to conclude a valuation allowance is not required when there is significant objective and verifiable negative evidence, such as cumulative losses in recent years. We utilize a rolling three years of actual and current year results as the primary measure of cumulative losses in recent years.

Income tax expense (benefit) for the year is allocated between continuing operations and other categories of income such as Other comprehensive income (loss). In periods in which there is a pre-tax loss from continuing operations and pre-tax income in another income category, the tax benefit allocated to continuing operations is determined by taking into account the pre-tax income of other categories.

We record uncertain tax positions on the basis of a two-step process whereby: (1) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position; and (2) for those tax positions that meet the more likely than not recognition, we recognize the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. We record interest and penalties on uncertain tax positions in Income tax expense (benefit).

#### Foreign Currency Transactions and Translation

The assets and liabilities of foreign subsidiaries that use the local currency as their functional currency are translated to U.S. Dollars based on the current exchange rate prevailing at each balance sheet date and any resulting translation adjustments are included in Accumulated other comprehensive loss. The assets and liabilities of foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency and then translated to U.S. Dollars. Revenues and expenses are translated into U.S. Dollars using the average exchange rates prevailing for each period presented.

Gains and losses arising from foreign currency transactions and the effects of remeasurements discussed in the preceding paragraph are recorded in Automotive cost of sales and GM Financial operating and other expenses unless related to Automotive debt, which are recorded in Interest income and other non-operating income, net. Foreign currency transaction and remeasurement losses were \$350 million, \$117 million and \$55 million in the years ended December 31, 2013, 2012 and 2011.

#### Recently Adopted Accounting Principles

On January 1, 2013 we adopted Accounting Standards Update (ASU) 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU does not change current requirements for reporting net income or other comprehensive income (OCI) in financial statements; rather, it requires certain disclosures of the amount of reclassifications of items from OCI to net income by component. The related disclosures are presented in Note 21.

#### Accounting Standards Not Yet Adopted

In July 2013 the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" to eliminate diversity in practice. This ASU requires that companies net their unrecognized tax benefits against all same-jurisdiction net operating losses or tax credit carryforwards that would be used to settle the position with a tax authority. This new guidance is effective prospectively for annual reporting periods beginning on or after December 15, 2013 and interim periods therein. The adoption of this ASU will not have a material effect on our consolidated financial statements because it aligns with our current presentation.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Note 3. Acquisition of Businesses

##### Acquisition of Certain Ally Financial International Operations

In November 2012 GM Financial entered into a definitive agreement with Ally Financial to acquire 100% of the outstanding equity interests in the top level holding companies of its automotive finance and financial services operations in Europe and Latin America and a separate agreement to acquire Ally Financial's non-controlling equity interest in GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC), which conducts automotive finance and other financial services in China.

On April 1, 2013 GM Financial completed the acquisition of Ally Financial's European and Latin American automotive finance operations except for France, Portugal and Brazil; on June 1, 2013 it completed the acquisition of Ally Financial's automotive finance operations in France and Portugal; and on October 1, 2013 it completed the acquisition of Ally Financial's automotive finance operations in Brazil. The aggregate consideration for these acquisitions was \$3.3 billion, subject to certain closing adjustments. Acquisition-related costs were insignificant. In addition GM Financial repaid loans of \$1.4 billion that were assumed as part of the acquisitions. GM Financial recorded the fair value of the assets acquired and liabilities assumed on the acquisition dates. Certain amounts previously presented related to the acquisitions have been, and will continue to be, updated as a result of closing adjustments.

GM Financial's acquisition of Ally Financial's equity interest in GMAC-SAIC is subject to certain regulatory and other approvals and is expected to close in 2014. GM Financial expects to pay approximately \$900 million to close this acquisition subject to certain closing adjustments.

The following table summarizes the aggregate consideration and the assets acquired and liabilities assumed at the acquisition dates before eliminations for net intercompany receivables of approximately \$300 million (dollars in millions):

Cash	\$	607
Restricted cash		906
Finance receivables		15,144
Other assets, including identifiable intangible assets		769
Secured and unsecured debt		(12,833)
Other liabilities		(1,483)
Identifiable net assets acquired		3,110
Goodwill resulting from the acquisitions		144
Aggregate consideration	\$	<u>3,254</u>

The fair value of finance receivables was determined using a discounted cash flow approach. The contractual cash flows were adjusted for estimated prepayments, defaults, recoveries and servicing costs and discounted using a discount rate commensurate with risks and maturity inherent in the finance contracts. The contractually required payments receivable, cash flows expected to be collected and fair value for finance receivables acquired with deteriorated credit quality at the acquisition date were \$799 million, \$728 million and \$601 million. The contractually required payments receivable, cash flows not expected to be collected and fair value for other acquired finance receivables were \$15.6 billion, \$303 million and \$14.5 billion. The fair value of secured and unsecured debt was determined using quoted market prices when available and a discounted cash flow approach when not available.

We recorded goodwill in the amount of \$144 million for the excess of the aggregate consideration over the fair value of the individual assets acquired and liabilities assumed and such amount is primarily attributed to the value of the incremental GM Financial business expected. The recorded goodwill is subject to further adjustment resulting from the finalization of closing balance sheet audits. Valuations and assumptions pertaining to income taxes are subject to change as additional information is obtained during the measurement period. All of the goodwill was assigned to the GM Financial segment and will be assigned to reporting units, which will be determined pending completion of the remaining acquisitions. The goodwill is not tax deductible.

# GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The results of the acquired European and Latin American automotive finance operations are included in GM Financial's results beginning on the dates GM Financial completed each acquisition. The following table summarizes the actual amounts of revenue and earnings included in our consolidated financial statements as well as certain pro forma revenue and earnings of the combined entity had these acquisitions occurred as of January 1, 2012, without consideration of historical transactions between the acquired operations and us, as it is impracticable to obtain such information (dollars in millions):

	Acquired Operations' Amounts Included in Results For Year Ended December 31, 2013	Pro Forma-Combined for Years Ended	
		December 31, 2013	December 31, 2012
Total net sales and revenue . . . . .	\$ 968	\$ 156,284	\$ 154,161
Net income attributable to stockholders . . . . .	\$ 109	\$ 5,492	\$ 6,412

### Acquisition of SAIC GM Investment Limited

In September 2012 we obtained control of SAIC GM Investment Limited, the holding company of General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively GM India) with an 86% interest and consolidated GM India and recorded goodwill of \$61 million. We also recognized a gain of \$51 million which was recorded in Equity income and gain on investments. In addition we invested \$125 million in GM India, which increased our interest in GM India to 90.8%. Refer to Note 8 for additional details on our investment in GM India prior to acquisition.

### Note 4. GM Financial Receivables, net

In the year ended December 31, 2013 GM Financial acquired certain international operations in Europe and Latin America from Ally Financial that conduct consumer and commercial lending activities. All of the loans acquired were made on a secured basis.

The following table summarizes the components of consumer and commercial finance receivables, net (dollars in millions):

	December 31, 2013			December 31, 2012		
	Consumer	Commercial	Total	Consumer	Commercial	Total
Pre-acquisition finance receivables, outstanding amount . . .	\$ 1,294	\$ —	\$ 1,294	\$ 2,162	\$ —	\$ 2,162
Pre-acquisition finance receivables, carrying amount . . . . .	\$ 1,174	\$ —	\$ 1,174	\$ 1,958	\$ —	\$ 1,958
Post-acquisition finance receivables, net of fees . . . . .	21,956	6,050	28,006	8,831	560	9,391
Finance receivables . . . . .	23,130	6,050	29,180	10,789	560	11,349
Less: allowance for loan losses . . . . .	(497)	(51)	(548)	(345)	(6)	(351)
GM Financial receivables, net . . . . .	\$ 22,633	\$ 5,999	\$ 28,632	\$ 10,444	\$ 554	\$ 10,998
Fair value of GM Financial receivables, net . . . . .			\$ 28,668			\$ 11,313

Of the total allowance for loan losses in the above table, \$427 million and \$266 million were current at December 31, 2013 and 2012.

GM Financial determined the fair value of consumer finance receivables using observable and unobservable inputs within a cash flow model. The inputs reflect assumptions regarding expected prepayments, deferrals, delinquencies, recoveries and charge-offs of the loans within the portfolio. The cash flow model produces an estimated amortization schedule of the finance receivables which is the basis for the calculation of the series of cash flows that derive the fair value of the portfolio. The series of cash flows is calculated and discounted using a weighted-average cost of capital (WACC) using unobservable debt and equity percentages, an unobservable cost of equity and an observable cost of debt based on companies with a similar credit rating and maturity profile as the portfolio. Macroeconomic factors could negatively affect the credit performance of the portfolio and therefore could potentially affect the

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

assumptions used in GM Financial's cash flow model. Substantially all commercial finance receivables either have variable interest rates and maturities of one year or less, or were acquired or originated within the past year. Therefore, the carrying amount is considered to be a reasonable estimate of fair value.

GM Financial reviews its pre-acquisition finance receivables portfolios for differences between contractual cash flows and the cash flows expected to be collected to determine if the difference is attributable, at least in part, to credit quality. In the years ended December 31, 2013 and 2012 as a result of improvements in credit performance of the pre-acquisition finance receivables, GM Financial transferred the amount of excess cash flows from the non-accretable difference to accretable yield. GM Financial will recognize this excess as finance charge income over the remaining life of the portfolio.

The following table summarizes the activity for accretable yield (dollars in millions):

	Years Ended December 31,	
	2013	2012
Balance at beginning of period	\$ 404	\$ 737
Ally Financial international operations acquisition	127	
Accretion of accretable yield	(342)	(503)
Transfer from non-accretable difference	74	170
Effect of foreign currency	(8)	—
Balance at end of period	<u>\$ 255</u>	<u>\$ 404</u>

The following table summarizes activity for the allowance for loan losses on consumer and commercial finance receivables (dollars in millions):

	Years Ended December 31, (a)		
	2013	2012	2011
Balance at beginning of period	\$ 351	\$ 179	\$ 26
Provision for loan losses	475	304	178
Charge-offs	(643)	(304)	(66)
Recoveries	362	172	41
Effect of foreign currency	3	—	—
Balance at end of period	<u>\$ 548</u>	<u>\$ 351</u>	<u>\$ 179</u>

(a) The balances and activity of the allowance for commercial loan losses included in the amounts at and for the years ended December 31, 2013 and 2012 were insignificant.

**Credit Quality**

***Consumer Finance Receivables***

GM Financial uses proprietary scoring systems that measure the credit quality of the receivables using several factors, such as credit bureau information, consumer credit risk scores (e.g. FICO score) and contract characteristics. In addition to GM Financial's proprietary scoring systems GM Financial considers other individual consumer factors such as employment history, financial stability and capacity to pay. Subsequent to origination GM Financial reviews the credit quality of retail receivables based on customer payment activity. At the time of loan origination substantially all of GM Financial's international consumers have prime credit scores. In North America sub-prime is typically defined as a loan with a borrower that has a FICO score of less than 620. At December 31, 2013 and 2012 88% and 84% of the consumer finance receivables in North America were consumers with FICO scores less than 620.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date such payment was contractually due. At December 31, 2013 and 2012 the accrual of finance charge income has been suspended on delinquent consumer finance receivables based on contractual amounts due of \$642 million and \$503 million.

GM Financial purchases consumer finance contracts from automobile dealers without recourse and, accordingly, the dealer has no liability to GM Financial if the consumer defaults on the contract. Finance receivables are collateralized by vehicle titles and GM Financial has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract.

The following table summarizes the contractual amount of delinquent contracts, which is not materially different from the recorded investment of the consumer finance receivables (dollars in millions):

	December 31, 2013		December 31, 2012	
	Amount	Percent of Contractual Amount Due	Amount	Percent of Contractual Amount Due
<b>Delinquent contracts</b>				
31-to-60 days	\$ 952	4.1%	\$ 672	6.1%
Greater-than-60 days	408	1.7%	230	2.1%
Total finance receivables more than 30 days delinquent	1,360	5.8%	902	8.2%
In repossession	41	0.2%	31	0.3%
Total finance receivables more than 30 days delinquent or in repossession	<u>\$ 1,401</u>	<u>6.0%</u>	<u>\$ 933</u>	<u>8.5%</u>

*Impaired Finance Receivables — Troubled Debt Restructurings*

The following table summarizes the outstanding recorded investment for consumer finance receivables that are considered to be TDRs and the related allowance (dollars in millions):

	December 31, 2013	December 31, 2012
Outstanding recorded investment	\$ 767	\$ 228
Less: allowance for loan losses	(103)	(32)
Outstanding recorded investment, net of allowance	<u>\$ 664</u>	<u>\$ 196</u>
Unpaid principal balance	\$ 779	\$ 232

*Commercial Finance Receivables*

GM Financial's commercial finance receivables consist of dealer financings. A proprietary model is used to assign a risk rating to each dealer. A credit review of each dealer is performed at least annually and, if necessary, the dealer's risk rating is adjusted on the basis of the review. At December 31, 2013 and 2012 the commercial finance receivables or loans on non-accrual status were insignificant.

The following table summarizes the credit risk profile by dealer grouping of the commercial finance receivables (dollars in millions):

	December 31, 2013	December 31, 2012
Group I — Dealers with strong to superior financial metrics	\$ 549	\$ 99
Group II — Dealers with fair to favorable financial metrics	1,460	278
Group III — Dealers with marginal to weak financial metrics	1,982	171
Group IV — Dealers with poor financial metrics	1,462	12
Group V — Dealers warranting special mention due to potential weaknesses	385	
Group VI — Dealers with loans classified as substandard, doubtful or impaired	212	
	<u>\$ 6,050</u>	<u>\$ 560</u>



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The credit lines for Group VI dealers are suspended and no further funding is extended to these dealers.

**Note 5. Marketable Securities**

The following table summarizes information regarding marketable securities (dollars in millions):

	Fair Value Level	December 31, 2013		December 31, 2012	
		Cost	Fair Value	Cost	Fair Value
<b>Cash and cash equivalents</b>					
Available-for-sale securities					
U.S. government and agencies . . . . .	2	\$ 1,437	\$ 1,437	\$ 4,190	\$ 4,190
Sovereign debt . . . . .	2	515	515	—	—
Money market funds . . . . .	1	1,262	1,262	1,799	1,799
Corporate debt . . . . .	2	7,598	7,598	3,222	3,222
Total available-for-sale securities . . . . .		<u>\$ 10,812</u>	<u>10,812</u>	<u>\$ 9,211</u>	<u>9,211</u>
Trading securities					
Sovereign debt . . . . .	2		—		1,408
Corporate debt . . . . .	2		25		—
Total trading securities . . . . .			<u>25</u>		<u>1,408</u>
Total marketable securities classified as cash equivalents . . . . .			10,837		10,619
Cash, cash equivalents and time deposits . . . . .			9,184		7,803
Total cash and cash equivalents . . . . .			<u>\$ 20,021</u>		<u>\$ 18,422</u>
<b>Marketable securities — current</b>					
Available-for-sale securities					
U.S. government and agencies . . . . .	2	\$ 5,343	\$ 5,344	\$ 1,231	\$ 1,231
Corporate debt . . . . .	2	1,867	1,869	2,465	2,505
Equity and sovereign debt . . . . .	1 & 2	22	22	30	51
Total available-for-sale securities . . . . .		<u>\$ 7,232</u>	<u>7,235</u>	<u>\$ 3,726</u>	<u>3,787</u>
Trading securities — Sovereign debt . . . . .	2		1,737		5,201
Total marketable securities — current . . . . .			<u>8,972</u>		<u>8,988</u>
<b>Marketable securities — non-current</b>					
Available-for-sale securities — Investment in Peugeot S.A. . . . .	1	\$ —	—	\$ 179	179
Total marketable securities . . . . .			<u>\$ 8,972</u>		<u>\$ 9,167</u>
<b>Restricted cash and marketable securities</b>					
Available-for-sale securities					
Money market funds . . . . .	1	\$ 897	\$ 897	\$ 933	\$ 933
Other . . . . .	2	34	35	198	199
Total marketable securities classified as restricted cash and marketable securities . . . . .		<u>\$ 931</u>	<u>932</u>	<u>\$ 1,131</u>	<u>1,132</u>
Restricted cash and cash equivalents and time deposits . . . . .			1,144		236
Total restricted cash and marketable securities . . . . .			<u>\$ 2,076</u>		<u>\$ 1,368</u>

We are required to post cash and marketable securities as collateral as part of certain agreements that we enter into as part of our operations. Cash and marketable securities subject to contractual restrictions and not readily available are classified as Restricted cash and marketable securities. Restricted cash and marketable securities are invested in accordance with the terms of the underlying agreements and include amounts related to various deposits, escrows and other cash collateral.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Sales proceeds from investments classified as available-for-sale and sold prior to maturity were \$4.7 billion, \$4.7 billion and \$1.6 billion in the years ended December 31, 2013, 2012 and 2011.

The following table summarizes the amortized cost and the fair value of investments classified as available-for-sale by contractual maturity at December 31, 2013 (dollars in millions):

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less . . . . .	\$ 14,879	\$ 14,881
Due after one year through five years . . . . .	1,937	1,939
Total contractual maturities of available-for-sale securities . . . . .	<u>\$ 16,816</u>	<u>\$ 16,820</u>

Cumulative unrealized gains and losses on available-for-sale securities and net unrealized gains (losses) on trading securities were insignificant at and in the years ended December 31, 2013, 2012 and 2011.

#### Peugeot S.A.

In December 2013 we sold our seven percent investment in Peugeot S. A. (PSA) common stock for \$339 million, net of disposal costs and we recorded a net gain of \$152 million in Interest income and other non-operating income, net.

At December 31, 2012 we measured the fair value of our investment in PSA common stock using the published stock price and determined the carrying amount of our investment in PSA common stock exceeded its fair value. PSA's stock price had shown no sustained signs of recovery towards the price at which we acquired it in March 2012. Based upon the 55% decline in PSA common stock price since our acquisition and the nine month duration of the impairment, combined with our fourth quarter reassessment of our European automotive operations, we concluded that the impairment of our investment in PSA common stock was other-than-temporary. As a result we transferred the total unrealized losses from Accumulated other comprehensive loss to Interest income and other non-operating income, net resulting in an impairment charge of \$220 million.

#### Note 6. Inventories

The following table summarizes the components of Inventories (dollars in millions):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Productive material, supplies and work in process . . . . .	\$ 5,872	\$ 6,560
Finished product, including service parts . . . . .	8,167	8,154
Total inventories . . . . .	<u>\$ 14,039</u>	<u>\$ 14,714</u>

#### Note 7. Equipment on Operating Leases, net

##### Automotive

Equipment on operating leases, net is composed of vehicle sales to daily rental car companies. The following table summarizes information related to Equipment on operating leases, net (dollars in millions):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Equipment on operating leases . . . . .	\$ 2,605	\$ 1,946
Less: accumulated depreciation . . . . .	(207)	(164)
Equipment on operating leases, net . . . . .	<u>\$ 2,398</u>	<u>\$ 1,782</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes depreciation expense and impairment charges related to Equipment on operating leases, net (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Depreciation expense	\$ 218	\$ 227	\$ 431
Impairment charges	\$ 168	\$ 181	\$ 151

**Automotive Financing — GM Financial**

GM Financial originates leases in the U.S. and Canada that are recorded as operating leases. A Canadian subsidiary of GM Financial originates and sells leases to a third-party with servicing retained. The following table summarizes GM Financial equipment on operating leases, net (dollars in millions):

	December 31, 2013	December 31, 2012
GM Financial equipment on operating leases	\$ 4,025	\$ 1,910
Less: accumulated depreciation	(642)	(261)
GM Financial equipment on operating leases, net	<u>\$ 3,383</u>	<u>\$ 1,649</u>

Depreciation expense related to GM Financial equipment on operating leases, net was \$450 million, \$205 million and \$70 million in the years ended December 31, 2013, 2012 and 2011.

The following table summarizes minimum rental payments due to GM Financial as lessor under operating leases (dollars in millions):

	2014	2015	2016	2017	2018
Minimum rental receipts under operating leases	\$ 628	\$ 512	\$ 266	\$ 43	\$ 4

**Note 8. Equity in Net Assets of Nonconsolidated Affiliates**

Nonconsolidated affiliates are entities in which an equity ownership interest is maintained and for which the equity method of accounting is used, due to the ability to exert significant influence over decisions relating to their operating and financial affairs.

The following table summarizes information regarding Equity income and gain on investments (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
China joint ventures (China JVs)	\$ 1,763	\$ 1,521	\$ 1,511
New Delphi (including gain on disposition)	—	—	1,727
Others (including gain on acquisition of GM India)	47	41	(46)
Total equity income and gain on investments	<u>\$ 1,810</u>	<u>\$ 1,562</u>	<u>\$ 3,192</u>

Sales and income of our joint ventures are not consolidated into our financial statements; rather, our proportionate share of the earnings of each joint venture is reflected as Equity income and gain on investments.

We received dividends from nonconsolidated affiliates of \$1.7 billion, \$1.4 billion and \$1.2 billion in the years ended December 31, 2013, 2012 and 2011. At December 31, 2013 and 2012 we had undistributed earnings including dividends declared but not received, of \$1.8 billion and \$1.7 billion related to our nonconsolidated affiliates.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### *Investment in China JVs*

The following table summarizes our direct ownership interests in China JVs:

	December 31, 2013	December 31, 2012
Shanghai General Motors Co., Ltd. (SGM) .....	50%	50%
Shanghai GM Norsom Motor Co., Ltd. (SGM Norsom) .....	25%	25%
Shanghai GM Dong Yue Motors Co., Ltd. (SGM DY) .....	25%	25%
Shanghai GM Dong Yue Powertrain (SGM DYPT) .....	25%	25%
SAIC-GM-Wuling Automobile Co., Ltd. ....	44%	44%
FAW-GM Light Duty Commercial Vehicle Co., Ltd. ....	50%	50%
Pan Asia Technical Automotive Center Co., Ltd. ....	50%	50%
Shanghai OnStar Telematics Co., Ltd. (Shanghai OnStar) .....	40%	40%
Shanghai Chengxin Used Car Operation and Management Co., Ltd. (Shanghai Chengxin Used Car) .....	33%	33%
SAIC General Motors Sales Co., Ltd. (SGMS) .....	49%	49%

SGM is a joint venture established by Shanghai Automotive Industry Corporation (SAIC) (50%) and us (50%). SGM has interests in three other joint ventures in China: SGM Norsom, SGM DY and SGM DYPT. These three joint ventures are jointly held by SGM (50%), SAIC (25%) and us (25%). These four joint ventures are engaged in the production, import, and sale of a comprehensive range of products under the Buick, Chevrolet and Cadillac brands. SGM also has interests in Shanghai OnStar (20%) and Shanghai Chengxin Used Car (33%). SGM also has a 20% equity interest in GMAC-SAIC, a joint venture established by General Motors Acceptance Corporation (now Ally Financial) (40%) and SAIC Finance Co., Ltd. (40%).

SGMS is a joint venture established in November 2011 by SAIC (51%) and us (49%) to engage in the sales of the imported Buick, Chevrolet and Cadillac brands and the sales of automobiles manufactured by SGM.

In September 2012 we repurchased a 1% interest in SGM for a total consideration of \$119 million, increasing our ownership interest in SGM to 50%. The transaction was accounted for by applying the equity method of accounting. The consideration exceeded our proportionate share of the 1% interest in SGM net assets by \$82 million, which consists of plant, property and equipment, intangible assets and goodwill of \$8 million, \$36 million and \$38 million.

#### *Sale of New Delphi*

In March 2011 we sold our Class A Membership Interests in Delphi Automotive LLP (New Delphi) to New Delphi for \$3.8 billion. The Class A Membership Interests sold represented 100% of our direct and indirect interests in New Delphi and 100% of New Delphi's Class A Membership Interests issued and outstanding. The sale terminated any direct and indirect obligation to loan New Delphi up to \$500 million under a term loan facility established in October 2009 when New Delphi was created and the Class A Membership Interests were issued. New Delphi had not borrowed under this loan facility. In March 2011 we recorded a gain of \$1.6 billion related to the sale in Equity income and gain on investments. Our existing supply contracts with New Delphi were not affected by this transaction.

#### *Investment in GM India*

In March 2011 the fair value of our investment in GM India was determined to be less than its carrying amount. The loss in value was determined to be other-than-temporary; therefore, we recorded an impairment charge of \$39 million in the three months ended March 31, 2011. In addition we recorded other charges totaling \$67 million related to our investment in GM India. Refer to Note 3 for detail regarding the acquisition of GM India.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Investment in and Summarized Financial Data of Nonconsolidated Affiliates*

The following table summarizes the carrying amount of investments in nonconsolidated affiliates (dollars in millions):

	December 31, 2013	December 31, 2012
China JVs	\$ 7,851	\$ 6,579
Other investments	243	304
Total equity in net assets of nonconsolidated affiliates	<u>\$ 8,094</u>	<u>\$ 6,883</u>

At December 31, 2013 and 2012 the carrying amount of our investments in certain joint ventures exceeded our share of the underlying net assets by \$3.8 billion. These differences are primarily related to the application of fresh-start reporting and purchase of additional interests in nonconsolidated affiliates, of which \$3.4 billion at December 31, 2013 and 2012 were allocated to goodwill and the remainder was allocated to the underlying assets and liabilities, primarily intangibles, and are being amortized over their useful lives.

The following tables present summarized financial data for all of our nonconsolidated affiliates (dollars in millions):

	December 31, 2013			December 31, 2012		
	China JVs	Others	Total	China JVs	Others	Total
<b>Summarized Balance Sheet Data</b>						
Current assets	\$ 14,666	\$ 2,234	\$ 16,900	\$ 11,759	\$ 2,642	\$ 14,401
Non-current assets	8,187	1,458	9,645	6,766	1,507	8,273
Total assets	<u>\$ 22,853</u>	<u>\$ 3,692</u>	<u>\$ 26,545</u>	<u>\$ 18,525</u>	<u>\$ 4,149</u>	<u>\$ 22,674</u>
Current liabilities	\$ 14,019	\$ 1,859	\$ 15,878	\$ 12,612	\$ 1,893	\$ 14,505
Non-current liabilities	1,065	511	1,576	756	758	1,514
Total liabilities	<u>\$ 15,084</u>	<u>\$ 2,370</u>	<u>\$ 17,454</u>	<u>\$ 13,368</u>	<u>\$ 2,651</u>	<u>\$ 16,019</u>
Non-controlling interests	\$ 1,040	\$ —	\$ 1,040	\$ 1,055	\$ 1	\$ 1,056

	Years Ended December 31,		
	2013	2012	2011
<b>Summarized Operating Data</b>			
China JV's net sales	\$ 38,767	\$ 33,364	\$ 30,511
Others' net sales	1,830	3,963	4,242
Total net sales	<u>\$ 40,597</u>	<u>\$ 37,327</u>	<u>\$ 34,753</u>
China JV's net income	\$ 3,685	\$ 3,198	\$ 3,203
Others' net income (loss)	50	(23)	(13)
Total net income	<u>\$ 3,735</u>	<u>\$ 3,175</u>	<u>\$ 3,190</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Transactions with Nonconsolidated Affiliates*

Nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and automobile parts. We purchase component parts and vehicles from certain nonconsolidated affiliates for resale to dealers. We also sell component parts and vehicles to certain nonconsolidated affiliates. The following tables summarize the effects of transactions with nonconsolidated affiliates (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
<b>Results of Operations</b>			
Automotive sales and revenue	\$ 2,724	\$ 2,572	\$ 3,266
Automotive purchases, net	\$ 724	\$ 497	\$ 1,044
Interest income and other non-operating income, net	\$ 19	\$ 184	\$ 34

	December 31, 2013	December 31, 2012
<b>Financial Position</b>		
Accounts and notes receivable, net	\$ 756	\$ 1,668
Accounts payable	\$ 183	\$ 167
Deferred revenue and customer deposits	\$ 32	\$ 46

	Years Ended December 31,		
	2013	2012	2011
<b>Cash Flows</b>			
Operating	\$ 3,607	\$ 3,385	\$ 3,624
Investing	\$ (13)	\$ (41)	\$ (27)

**Note 9. Property, net**

The following table summarizes the components of Property, net (dollars in millions):

	Estimated Useful Lives in Years	December 31, 2013	December 31, 2012
Land		\$ 1,868	\$ 2,107
Buildings and improvements	5-40	4,971	4,601
Machinery and equipment	3-27	15,222	12,720
Construction in progress		2,644	3,018
Real estate, plants and equipment		24,705	22,446
Less: accumulated depreciation		(6,787)	(5,556)
Real estate, plants and equipment, net		17,918	16,890
Special tools, net	1-15	7,949	7,306
Total property, net		\$ 25,867	\$ 24,196

The amount of interest capitalized and excluded from Automotive interest expense related to Property, net was \$81 million, \$117 million and \$91 million in the years ended December 31, 2013, 2012 and 2011.

The following table summarizes the amount of capitalized software included in Property, net (dollars in millions):

	December 31, 2013	December 31, 2012
Capitalized software in use, net	\$ 580	\$ 465
Capitalized software in the process of being developed	\$ 50	\$ 108

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes depreciation, impairment charges and amortization expense related to Property, net, recorded in Automotive cost of sales, GM Financial operating and other expenses, and Automotive selling, general and administrative expense (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Depreciation and amortization expense . . . . .	\$ 3,959	\$ 3,888	\$ 3,604
Impairment charges (a) . . . . .	901	3,793	81
Depreciation, impairment charges and amortization expense . . . . .	<u>\$ 4,860</u>	<u>\$ 7,681</u>	<u>\$ 3,685</u>
Capitalized software amortization expense (b) . . . . .	\$ 244	\$ 209	\$ 203

- (a) Includes GMIO assets whose fair value was \$131 million at December 31, 2013. Includes GME assets whose fair value was \$408 million at December 31, 2012. Also includes other assets whose fair value was determined to be \$0 in the years ended December 31, 2013, 2012 and 2011 measured utilizing Level 3 inputs. Fair value measurements of the non-GMIO and non-GME asset group long-lived assets utilized projected cash flows discounted at a rate commensurate with the perceived business risks related to the assets involved.
- (b) Included in total depreciation, impairment charges and amortization expense.

**Impairment Charges**

*Year Ended December 31, 2013*

*GM India*

In the three months ended December 31, 2013 we performed a strategic assessment of GM India in response to lower than expected sales performance of our current product offerings in India, higher raw material costs, unfavorable foreign exchange rates and recent deterioration in local market conditions. Our strategic review indicated that the existing long-lived assets of the GM India asset group were not recoverable. In the three months ended December 31, 2013 we recorded asset impairment charges of \$280 million to adjust the carrying amount of GM India's real and personal property to fair value of \$45 million. These charges were recorded in our GMIO segment in Automotive cost of sales. Our recoverability test of the GM India asset group also included Intangible assets, net and Goodwill resulting in additional impairment charges of \$103 million, for total impairment charges of \$383 million. The noncontrolling interest portion of these charges was \$35 million based on our 90.8% ownership of GM India. Refer to Note 11 for additional information regarding the impairment of Intangible assets, net and Note 10 for additional information regarding the impairment of Goodwill.

*GM Holden Ltd. (Holden)*

In December 2013 we announced plans to cease manufacturing and reduce engineering at our Holden subsidiary in Australia by the end of 2017. As a result we recorded asset impairment charges of \$477 million to adjust the carrying amounts of certain long-lived assets of our Holden asset group to fair value of \$71 million. These charges were recorded in our GMIO segment in Automotive cost of sales. Refer to Note 19 for additional information on the actions taken at Holden.

*Year Ended December 31, 2012*

During the second half of 2011 and continuing into 2012 the European automotive industry was severely affected by the ongoing sovereign debt crisis, high unemployment and a lack of consumer confidence coupled with overcapacity and we began to experience deterioration in cash flows. In response we formulated a plan to implement various actions to strengthen our operations and increase our competitiveness. During the fourth quarter of 2012 our industry outlook deteriorated further and our forecast of 2013 cash flows

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

declined notwithstanding our actions. As a result we performed a recoverability test of the GME asset group by weighting various undiscounted cash flow scenarios and concluded the GME asset group was not recoverable. Accordingly we recorded asset impairment charges of \$3.7 billion at December 31, 2012 to adjust the carrying amount of the GME real and personal property to fair value of \$0.4 billion. These charges were recorded in our GME segment with \$3.5 billion recorded in Automotive cost of sales and \$0.2 billion recorded in Automotive selling, general and administrative expense. Our recoverability test of the GME asset group also included Intangible assets, net and other long-lived assets resulting in additional impairment charges of \$1.8 billion, for total impairment charges of \$5.5 billion. Refer to Note 11 for additional information regarding the impairment of Intangible assets, net.

#### *Fair Value Measurements*

To determine the estimated fair value of real and personal property, the cost approach, market approach and income approach were considered. Under the cost approach, the determination of fair value considered the estimates of the cost to construct or purchase a new asset of equal utility at current prices with adjustments in value for physical deterioration, functional obsolescence, and economic obsolescence. Under the market approach, the determination of fair value considered the market prices in transactions for similar assets and certain direct market values based on quoted prices from brokers and secondary market participants for similar assets. Under the income approach, the determination of fair value considered the estimate of the present worth of future benefits derived from ownership, usually measured through the capitalization of a specific level of income which can be derived from the subject asset with adjustments in value for demolition costs and for the effect of an estimated holding period. Under the income approach, it was assumed fair value could not exceed the present value of the net cash flows discounted at a rate commensurate with the level of risk inherent in the subject asset. An in-exchange premise was determined to be the highest and best use.

The following table summarizes the significant Level 3 inputs for real and personal property measurements:

	Valuation Technique(s)	Unobservable Input(s)	Range
GM India personal property .....	Market approach	Economic obsolescence (a)	72% - 100%
Holden real property .....	Income approach	Holding period (b)	0 - 3 years
		Discount rate (c)	11% - 12%
GME real property .....	Market approach	Demolition costs (d)	6% - 23%
	Cost approach	Holding period (b)	0 - 4 years
	Income approach	Discount rate (c)	11.2% - 14.5%
GME personal property .....	Market approach	Physical deterioration (e)	52% - 69%
	Cost approach	Functional obsolescence (f)	8% - 28%
		Economic obsolescence (a)	17% - 23%

- (a) Represents estimated loss in asset value caused by factors external to the asset such as legislative enactments, changes in use, social change and change in supply and demand.
- (b) Represents estimated marketing period for each property which dictates the amount of property specific holding costs to be incurred such as real estate taxes.
- (c) Represents the discount rate for the specific property based on local market sources and available benchmarking data.
- (d) Represents estimated gross cost to demolish and clear the structures on the property as a percentage of replacement cost new.
- (e) Represents estimated loss in asset value due to wear and tear, action of the elements and other physical factors that reduce the life and serviceability of the asset.
- (f) Represents estimated loss in asset value caused by inefficiencies and inadequacies of the asset itself.

The personal property in our Holden asset group was determined to have a nominal fair value because of anticipated losses during the wind-down period and limited to no salvage value given the decline in the automotive manufacturing base in Australia.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair value estimates for GM India, Holden and GME real and personal property are based on a valuation premise that assumes the assets' highest and best use are different than their current use based on the forecasted financial results of the asset groups.

**Note 10. Goodwill**

The following table summarizes the changes in the carrying amounts of Goodwill (dollars in millions):

	GMNA	GME	GMIO	GMSA	Total Automotive	GM Financial	Total
Balance at January 1, 2012	\$ 26,399	\$ 581	\$ 610	\$ 151	\$ 27,741	\$ 1,278	\$ 29,019
Impairment charges	(26,399)	(590)	(156)	—	(27,145)	—	(27,145)
Goodwill from business combinations (a)	—	—	61	—	61	—	61
Effect of foreign currency and other	—	9	34	(5)	38	—	38
Balance at December 31, 2012	—	—	549	146	695	1,278	1,973
Impairment charges	—	—	(541)	—	(541)	—	(541)
Goodwill from business combinations (a)	—	—	—	10	10	144	154
Effect of foreign currency and other	—	—	(8)	(18)	(26)	—	(26)
Balance at December 31, 2013	\$ —	\$ —	\$ —	\$ 138	\$ 138	\$ 1,422	\$ 1,560
Accumulated impairment charges at January 1, 2012	\$ —	\$ (2,482)	\$ (270)	\$ —	\$ (2,752)	\$ —	\$ (2,752)
Accumulated impairment charges at December 31, 2012	\$ (26,399)	\$ (3,072)	\$ (426)	\$ —	\$ (29,897)	\$ —	\$ (29,897)
Accumulated impairment charges at December 31, 2013	\$ (26,399)	\$ (3,072)	\$ (967)	\$ —	\$ (30,438)	\$ —	\$ (30,438)

(a) Refer to Note 3 for additional information concerning the acquisitions.

In the three months ended December 31, 2013, 2012, and 2011 we performed our annual goodwill impairment testing as of October 1 for all reporting units. In addition, in the years ended December 31, 2013, 2012 and 2011, we performed event-driven goodwill impairment tests at various dates for certain of our reporting units.

**GMNA**

Subsequent to our 2012 annual goodwill impairment testing, we reversed \$36.2 billion of our deferred tax asset valuation allowances for our GMNA reporting unit. The reversal of the deferred tax asset valuation allowances resulted in the carrying amount of our GMNA reporting unit exceeding its fair value. As a result we performed an event-driven goodwill impairment test in the three months ended December 31, 2012 and recorded a Goodwill impairment charge of \$26.4 billion. At December 31, 2012 GMNA's Goodwill balance was \$0. Refer to Note 18 for additional information on the reversal of our deferred tax asset valuation allowances for our U.S. and Canadian operations.

**GME**

We adopted the provisions of ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" (ASU 2010-28) on January 1, 2011 and performed Step 2 of the goodwill impairment testing analysis for our GME reporting unit which had a negative carrying amount resulting in the recognition of a cumulative-effect adjustment to beginning Retained earnings. GME continued to have a negative carrying amount and because it was more likely than not further goodwill impairment existed due to further deterioration in the business outlook for GME and increases in the fair value of estimated employee benefit obligations, we recorded Goodwill impairment charges of \$590 million and \$1.0 billion in the years ended December 31, 2012 and 2011. At December 31, 2012 GME's Goodwill balance was \$0.

**GMIO**

Based on the results of our annual and event-driven goodwill impairment tests, we recorded total Goodwill impairment charges of \$541 million, \$156 million and \$270 million in the years ended December 31, 2013, 2012 and 2011 within our GMIO segment. The

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

impairment charges primarily related to our GM Korea Company (GM Korea) and Holden reporting units. We performed event-driven goodwill impairment tests for GM Korea in 2013, 2012 and 2011 as the fair value of GM Korea continued to be below its carrying amount due to ongoing economic weakness in certain markets to which GM Korea exports coupled with lower forecasted margins resulting from higher raw material costs and unfavorable foreign exchange rates. Furthermore, in the three months ended December 31, 2013 we announced our plans to cease mainstream distribution of Chevrolet brand in Western and Central Europe that resulted in the impairment of the remaining goodwill. Chevrolet sales in Europe are included in our GM Korea operations. We also recorded a Goodwill impairment charge in the three months ended December 31, 2013 associated with our GM India reporting unit resulting from lower forecasted profitability in India due to lower than expected sales performance of our current product offerings in India, higher raw material costs, unfavorable foreign exchange rates and recent deterioration in local market conditions. Refer to Note 9 for additional information on our operations in India. In the three months ended December 31, 2011 we reversed a deferred tax asset valuation allowance for our Holden reporting unit that resulted in the carrying amount of this reporting unit exceeding its fair value. At December 31, 2013 the goodwill balance was \$0 for all of the reporting units in GMIO.

#### *Impairment Charges*

The impairment charges recorded as a result of the initial adoption of ASU 2010-28 and the annual and event-driven goodwill impairment tests in the years ended December 31, 2013, 2012 and 2011 represent the net decreases in implied goodwill resulting primarily from decreases in the fair value-to-U.S. GAAP differences attributable to those assets and liabilities that gave rise to goodwill upon our application of fresh-start reporting. The net decreases resulted primarily from the reversal of our deferred tax asset valuation allowances for certain reporting units thus resulting in the recorded amount for deferred taxes exceeding their fair values which under Accounting Standards Codification (ASC) 805, "Business Combinations" (ASC 805) results in less implied goodwill. The net decreases also resulted from improvements in our nonperformance risk and in our incremental borrowing rates since July 10, 2009. At certain of the testing dates the net decrease was also due to an increase in the high quality corporate bond rates utilized to measure our employee benefit obligations and a decrease in credit spreads between high quality corporate bond rates and market interest rates for companies with similar nonperformance risk. For the purpose of deriving an implied goodwill balance, deterioration in the business outlook and anticipated restructuring activities for GME and GM Korea resulted in a reduction in the fair value of certain tax attributes and an increase in estimated employee benefit obligations. The amount of implied goodwill derived from GM India decreased primarily from a reduction in the fair value of certain tax attributes.

#### *Fair Value Measurements*

When performing our goodwill impairment testing, the fair values of our reporting units were determined based on valuation techniques using the best available information, primarily discounted cash flow projections. We make significant assumptions and estimates, which utilized Level 3 measures, about the extent and timing of future cash flows, growth rates, market share and discount rates that represent unobservable inputs into our valuation methodologies. Our fair value estimates for annual and event-driven impairment tests assume the achievement of the future financial results contemplated in our forecasted cash flows and there can be no assurance that we will realize that value.

The valuation methodologies utilized to perform our goodwill impairment testing were consistent with those used in our application of fresh-start reporting on July 10, 2009 and in any subsequent annual or event-driven goodwill impairment tests and utilized Level 3 measures. Because the fair value of goodwill can be measured only as a residual amount and cannot be determined directly we calculated the implied goodwill for those reporting units failing Step 1 in the same manner that goodwill is recognized in a business combination pursuant to ASC 805.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 11. Intangible Assets, net**

The following table summarizes the components of Intangible assets, net (dollars in millions):

	December 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and intellectual property . . . . .	\$ 8,210	\$ 7,308	\$ 902	\$ 7,775	\$ 6,320	\$ 1,455
Brands . . . . .	4,466	559	3,907	4,464	431	4,033
Dealer network and customer relationships . . .	1,108	364	744	1,375	327	1,048
Favorable contracts and other . . . . .	345	326	19	384	286	98
Total amortizing intangible assets . . . . .	14,129	8,557	5,572	13,998	7,364	6,634
Nonamortizing in process research and development . . . . .	96		96	175		175
Total intangible assets . . . . .	\$ 14,225	\$ 8,557	\$ 5,668	\$ 14,173	\$ 7,364	\$ 6,809

In December 2012 we entered into a product development agreement with PSA to collaborate on the development of certain vehicle platforms, components and modules. As a result of this agreement, in the three months ended March 31, 2013 we acquired the rights to certain technology and intellectual property for total consideration of \$642 million. Consideration of \$201 million was paid in cash in May 2013 with the remaining consideration to be paid by May 2018. The acquired rights were recorded at the present value of the total payments to be made as technology and intellectual property of \$594 million.

In December 2013 we agreed with PSA to mutually cancel development of one of the vehicle programs and reduce the amount of remaining consideration to be paid, resulting in a net charge of \$49 million recorded in Automotive cost of sales in GMNA. The net charge consisted of an impairment of the associated intellectual property of \$211 million and a reduction of total consideration from \$642 million to \$480 million.

The following table summarizes the amortization expense and impairment charges related to Intangible assets, net (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Amortization expense . . . . .	\$ 1,281	\$ 1,568	\$ 1,804
Impairment charges . . . . .	\$ 523	\$ 1,755	\$ —

The following table summarizes estimated amortization expense related to Intangible assets, net in each of the next five years (dollars in millions):

	2014	2015	2016	2017	2018
Estimated amortization expense . . . . .	\$ 672	\$ 330	\$ 310	\$ 305	\$ 300

**Impairment Charges**

*Year Ended December 31, 2013*

*GM India*

In the three months ended December 31, 2013 we recorded impairment charges of \$48 million to adjust the carrying amounts of Intangible assets, net, primarily favorable contract intangibles, to fair value of \$0, because of a lack of economic support associated

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

with GM India's declining operations. These charges were recorded in our GMIO segment primarily in Automotive cost of sales. Refer to Note 9 for additional information regarding the triggering events of the impairment charge in India and information on the impairment of Property, net.

#### *Withdrawal of the Chevrolet Brand from Europe*

In the three months ended December 31, 2013 we recorded impairment charges of \$264 million to adjust the carrying amounts of Intangible assets, net, primarily dealer network intangibles, to fair value because we are winding down the dealer network in 2014 and we expect to incur losses during the wind-down period. These charges were recorded in our GMIO segment in Automotive cost of sales. Refer to Note 19 for additional information on the withdrawal of the Chevrolet brand from Europe.

#### *Year Ended December 31, 2012*

We adjusted the carrying amount of the GME intangible assets to their fair value of \$139 million and recorded asset impairment charges of \$1.8 billion at December 31, 2012. These charges were recorded in our GME segment with \$1.6 billion recorded in Automotive selling, general and administrative expense and \$0.2 billion recorded in Automotive cost of sales. The fair value estimates for GME's intangible assets are based on a valuation premise that assumes the assets' highest and best use are different than their current use due to the overall European macro-economic environment.

Our recoverability test of the GME asset group includes real and personal property, resulting in additional impairment charges of \$3.7 billion, for total impairment charges of \$5.5 billion. Refer to Note 9 for additional information regarding the impairment of real and personal property.

To determine the estimated fair value of the brand intangible assets we used the relief from royalty method which is a form of the income approach. Under this approach revenue associated with the brand is projected over the expected remaining useful life of the asset. A royalty rate is then applied to estimate the royalty savings. The royalty rate used was based on an analysis of empirical, market-derived royalty rates for guideline intangible assets and a profit split analysis to determine a rate that is economically supported by GME's forecasted profitability. The net after-tax royalty savings are calculated for each year during the remaining economic life of the asset and discounted to present value.

To determine the estimated fair value of the dealer network we used the cost approach with adjustments in value for the overcapacity of dealers and the sales environment in the region. We determined the fair value to be \$0.

The following table summarizes the significant Level 3 inputs for brand intangible assets measurements:

	<u>Valuation Technique</u>	<u>Unobservable Input(s)</u>	<u>Percentage</u>
Brand intangible assets . . . . .	Income approach	Long-term growth rate	0.50%
		Pre-tax royalty rate (a)	0.14%
		Discount rate (b)	21.25%

(a) Represents estimated savings realized from owning the asset or having the royalty-free right to use the asset.

(b) Represents WACC adjusted for perceived business risks related to these intangible assets.

### Note 12. Variable Interest Entities

#### Consolidated VIEs

##### *Automotive*

VIEs that we do not control through a majority voting interest that are consolidated because we are the primary beneficiary include certain vehicle assembling, manufacturing and selling venture arrangements, the most significant of which is GM Egypt. At December 31, 2013 and 2012: (1) Total assets of these VIEs were \$564 million and \$436 million, which were composed of Cash and



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

cash equivalents, Accounts and notes receivables, net, Inventories, and Property, net; and (2) Total liabilities were \$395 million and \$254 million, which were composed of Accounts payable (principally trade) and Accrued liabilities. In the years ended December 31, 2013 and 2012 Total net sales and revenue recorded for these consolidated VIEs were \$1.1 billion and \$1.0 billion and Net income was \$55 million and \$56 million. These amounts are stated prior to intercompany eliminations. Liabilities recognized as a result of consolidating VIEs generally do not represent claims against us or our other subsidiaries and assets recognized generally are for the benefit of the VIEs' operations and cannot be used to satisfy our obligations.

GM Korea and GM India are non-wholly owned consolidated subsidiaries that we control through a majority voting interest. They are also VIEs because in the future they may require additional subordinated financial support. At December 31, 2013 and 2012 the combined creditors of GM Korea's and GM India's liabilities of \$242 million and \$368 million, which were composed of short-term debt, current derivative liabilities and long-term debt, do not have recourse to our general credit.

#### *Automotive Financing — GM Financial*

GM Financial uses special purpose entities (SPEs) that are considered VIEs to issue variable funding notes to third party bank-sponsored warehouse facilities or asset-backed securities to investors in securitization transactions. The debt issued by these VIEs is backed by the cash flows related to finance receivables and leasing related assets transferred by GM Financial to the VIEs (Securitized Assets). GM Financial holds variable interests in the VIEs that could potentially be significant to the VIEs. GM Financial determined that it is the primary beneficiary of the SPEs because (1) the servicing responsibilities for the Securitized Assets give it the power to direct the activities that most significantly impact the performance of the VIEs and (2) the variable interests in the VIEs give it the obligation to absorb losses and the right to receive residual returns that could potentially be significant. The assets and liabilities of the VIEs are included in GM Financial's consolidated balance sheets. The amounts are stated prior to intercompany eliminations.

The following table summarizes the assets and liabilities related to GM Financial's consolidated VIEs (dollars in millions):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Restricted cash .....	\$ 1,523	\$ 744
Securitized Assets .....	\$ 23,584	\$ 10,442
Securitization notes payable and other credit facilities .....	\$ 19,448	\$ 9,378

Restricted cash represents collections from the underlying Securitized Assets and certain reserve accounts held as credit enhancement for securitizations held by GM Financial for the benefit of the noteholders. Except for the acquisition accounting adjustments, which are not recorded in SPE trusts, GM Financial recognizes finance charge income, leased vehicle income and other income on the Securitized Assets and interest expense on the secured debt issued by the SPEs. GM Financial also maintains an allowance for credit losses on the Securitized Assets. Cash pledged to support the secured borrowings is deposited to a restricted cash account which is invested in highly liquid securities with original maturities of 90 days or less.

The assets of the VIEs and the restricted cash held by GM Financial serve as the sole source of repayment for the debt issued by these entities. Investors in the notes issued by the VIEs do not have recourse to GM Financial or its other assets, with the exception of customary representation and warranty repurchase provisions and indemnities that GM Financial provides as the servicer. GM Financial is not required and does not currently intend to provide additional financial support to these SPEs. While these subsidiaries are included in our consolidated financial statements, these subsidiaries are separate legal entities and their assets are legally owned by them and are not available to GM Financial's creditors.

#### **Nonconsolidated VIEs**

##### *Automotive*

VIEs that are not consolidated include certain vehicle assembling, manufacturing and selling venture arrangements and other automotive related entities to which we provided financial support, including GM India prior to September 2012 and Ally Financial. We concluded these entities are VIEs because they do not have sufficient equity at risk or may require additional subordinated financial support. We currently lack the power through voting or similar rights to direct those activities of these entities that most significantly

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

affect their economic performance. Our variable interests in these nonconsolidated VIEs include accounts and notes receivable, equity in net assets, guarantees and financial support, some of which were provided to certain current or previously divested suppliers in order to ensure that supply needs for production were not disrupted due to a supplier's liquidity concerns or possible shutdowns.

At December 31, 2013 and 2012 our variable interests in these VIEs included: (1) Total assets of \$169 million and \$351 million, which were composed of Accounts and notes receivable, net and Equity in net assets of nonconsolidated affiliates; (2) Total liabilities of \$838 million and \$1.9 billion, which were composed of Accounts payable (principally trade), Short-term debt and current portion of long-term debt, Accrued liabilities and Other liabilities and deferred income taxes; and (3) Total off-balance sheet arrangements of \$115 million and \$32 million, which were composed of loan commitments and other liquidity arrangements. The amount of total off-balance sheet arrangements at December 31, 2013 includes contractual commitments under an agreement with a supplier that became a VIE in January 2013. The maximum exposure to loss for total assets approximated the carrying amount at December 31, 2013 and 2012. Refer to Note 17 for additional information on our maximum exposure to loss under agreements with Ally Financial.

#### *Ally Financial Common Stock*

At December 31, 2012 we held a 9.9% common equity ownership in Ally Financial with carrying amount and fair value of \$399 million and \$1.3 billion. We estimated the fair value of Ally Financial common stock using a market approach that applied the average price to tangible book value multiples of comparable companies to the consolidated Ally Financial tangible book value. The significant inputs used in our fair value analyses included Ally Financial's financial statements, financial statements and price to tangible book value multiples of comparable companies in the banking and finance industry and the effects of certain Ally Financial shareholder rights. The inputs used in the measurement of the fair value are Level 3 inputs. In December 2013 we sold our investment through a private offering for net proceeds of \$880 million and recorded a gain of \$483 million in Interest income and other non-operating income, net.

#### *Ally Financial Preferred Stock*

In March 2011 our investment in Ally Financial preferred stock was sold through a public offering for net proceeds of \$1.0 billion. The gain of \$339 million related to the sale was recorded in Interest income and other non-operating income, net.

#### **Note 13. Accrued Liabilities, Other Liabilities and Deferred Income Taxes**

The following table summarizes the components of Accrued liabilities and Other liabilities and deferred income taxes (dollars in millions):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
<b>Current</b>		
Dealer and customer allowances, claims and discounts . . . . .	\$ 7,919	\$ 7,722
Deposits primarily from rental car companies . . . . .	4,713	4,250
Deferred revenue . . . . .	1,276	1,326
Policy, product warranty and recall campaigns . . . . .	2,559	2,919
Payrolls and employee benefits excluding postemployment benefits . . . . .	2,285	2,144
Other . . . . .	5,881	4,947
Total accrued liabilities . . . . .	<u>\$ 24,633</u>	<u>\$ 23,308</u>
<b>Non-current</b>		
Deferred revenue . . . . .	\$ 1,249	\$ 1,169
Policy, product warranty and recall campaigns . . . . .	4,655	4,285
Employee benefits excluding postemployment benefits . . . . .	1,192	1,359
Postemployment benefits including facility idling reserves . . . . .	1,216	1,518
Other . . . . .	5,041	4,838
Total other liabilities and deferred income taxes . . . . .	<u>\$ 13,353</u>	<u>\$ 13,169</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes activity for policy, product warranty and recall campaigns (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Beginning balance	\$ 7,204	\$ 6,600	\$ 6,789
Warranties issued and assumed in period	3,181	3,394	3,062
Payments	(3,063)	(3,393)	(3,740)
Adjustments to pre-existing warranties	123	539	565
Effect of foreign currency and other	(231)	64	(76)
Ending balance	<u>\$ 7,214</u>	<u>\$ 7,204</u>	<u>\$ 6,600</u>

**Note 14. Short-Term and Long-Term Debt**

**Automotive**

The following table summarizes the components of our short-term debt and long-term debt (dollars in millions):

	December 31, 2013	December 31, 2012
Secured debt	\$ 320	\$ 1,182
Unsecured debt		
Senior unsecured notes	4,500	—
Canadian Health Care Trust (HCT) notes	—	1,239
Other unsecured debt	1,352	1,713
Total unsecured debt	5,852	2,952
Capital leases	965	1,038
Total automotive debt (a)	7,137	5,172
Less: short-term debt and current portion of long-term debt	564	1,748
Total long-term debt	<u>\$ 6,573</u>	<u>\$ 3,424</u>
Fair value of automotive debt (b)	\$ 6,837	\$ 5,298
Available under credit facility agreements	\$ 10,404	\$ 11,119
Interest rate range on outstanding debt (c)	0.0-19.0%	0.0-19.0%
Weighted-average interest rate on outstanding short-term debt (c)	9.0%	3.7%
Weighted-average interest rate on outstanding long-term debt (c)	3.8%	4.0%

(a) Net of a \$765 million and \$1.1 billion net discount at December 31, 2013 and 2012.

(b) The fair value of debt includes \$6.8 billion and \$4.1 billion measured utilizing Level 2 inputs at December 31, 2013 and 2012 and \$1.2 billion measured utilizing Level 3 inputs at December 31, 2012.

(c) Includes coupon rates on debt denominated in various foreign currencies and interest free loans.

The Level 2 fair value measurements utilize quoted market prices and if unavailable, a discounted cash flow model. The valuation is reviewed internally by personnel with appropriate expertise in valuation methodologies. This model utilizes observable inputs such as contractual repayment terms and benchmark yield curves, plus a spread that is intended to represent our nonperformance risk for secured or unsecured obligations. We estimate our nonperformance risk using our corporate credit rating, the ratings on our senior unsecured notes and on our secured revolver, yields on traded bonds of companies with comparable credit ratings and risk profiles. We acquire the benchmark yield curves and nonperformance risk spread from independent sources that are widely used in the

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

financial industry. In certain circumstances we adjust the valuation of debt for additional nonperformance risk or potential prepayment probability scenarios. We may use a probability weighting of prepayment scenarios when the stated rate exceeds market rates and the instrument contains prepayment features. The prepayment scenarios are adjusted to reflect the views of market participants. The fair value measurements subject to additional adjustments for nonperformance risk or prepayment have been categorized in Level 3.

#### *Secured Debt*

Wholesale financing represents arrangements, primarily with Ally Financial, where cash is received in advance of the final sale of vehicles, parts and accessories to our dealers or ultimate consumer. These obligations typically settle through the sale and delivery of our products and generally do not require cash outflows to settle. Following GM Financial's acquisition of the Ally Financial international operations in April 2013, most of the wholesale financing balance classified as debt became intercompany debt and was eliminated in consolidation, resulting in a decrease to our automotive debt balance of \$682 million.

#### *Secured Revolving Credit Facilities*

In November 2012 we entered into two new secured revolving credit facilities with an aggregate borrowing capacity of \$11.0 billion. These facilities consist of a three-year, \$5.5 billion facility and a five-year, \$5.5 billion facility and replaced our previous five-year, \$5.0 billion secured revolving credit facility. Availability under the secured revolving credit facilities is subject to borrowing base restrictions.

The three-year, \$5.5 billion facility is available to GM Financial as well as certain wholly-owned domestic and international subsidiaries. The facility includes various sub-limits including a GM Financial borrowing sub-limit of \$4.0 billion, a multi-currency borrowing sub-limit of \$3.5 billion, a Brazilian Real borrowing sub-limit of approximately \$485 million and a letter of credit sub-facility limit of \$1.5 billion. We had amounts in use under the letter of credit sub-facility of \$625 million at December 31, 2013.

The five-year, \$5.5 billion facility allows for borrowings in U.S. Dollars and other currencies and includes a letter of credit sub-limit of \$500 million. This facility is not available to GM Financial.

Our obligations under the secured revolving credit facilities are guaranteed by certain of our domestic subsidiaries and by a substantial portion of our domestic assets including accounts receivable, inventory, property, plant and equipment, intellectual property and trademarks, equity interests in certain of our direct domestic subsidiaries as well as up to 65% of the voting equity interests in certain of our direct foreign subsidiaries, in each case, subject to certain exceptions. The collateral securing the secured revolving credit facilities does not include, among other assets, cash, cash equivalents and marketable securities as well as our investments in GM Financial, GM Korea and in our China JVs. If we receive and maintain an investment grade corporate rating from two or more of the following credit rating agencies: Fitch Ratings, Moody's Investor Service and Standard & Poor's, we will no longer have to post collateral or provide guarantees from certain domestic subsidiaries under the terms of the facilities.

The secured revolving credit facilities contain representations, warranties and covenants customary of these types of facilities, including negative covenants restricting incurring liens, consummating mergers or sales of assets and incurring secured indebtedness, and restricting us from making restricted payments, in each case, subject to exceptions and limitations. These restricted payments include limitations on the amount of dividend payments and repurchases of our common stock. These restrictions can be mitigated based on various factors including but not limited to cash flows generated from operating and investing activities, prior restricted payments, our borrowing base coverage ratio, consolidated global liquidity and other provisions. The facilities also require us to maintain at least \$4.0 billion in consolidated global liquidity and at least \$2.0 billion in consolidated U.S. liquidity.

Interest rates on obligations under the secured revolving credit facilities are based on prevailing per annum interest rates for Eurodollar loans or an alternative base rate plus an applicable margin, in each case, based upon the credit rating assigned to the secured revolving credit facilities or our corporate rating depending on certain criteria.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### *Unsecured Debt*

##### *Senior Unsecured Notes*

In September 2013 we issued \$4.5 billion in aggregate principal amount of senior unsecured notes comprising \$1.5 billion of 3.5% notes due in 2018, \$1.5 billion of 4.875% notes due in 2023 and \$1.5 billion of 6.25% notes due in 2043. These notes contain terms and covenants customary of these types of securities including limitations on the amount of the secured debt we may issue.

In connection with the issuance of these notes we entered into a registration rights agreement that requires us to file a registration statement with the Securities and Exchange Commission (SEC) for an exchange offer with respect to the senior notes. If the registration statement has not been declared effective by the SEC within 365 days after the closing date of the debt issuance, if we fail to consummate the exchange offer within 30 business days after such target effective date or if the registration statement ceases to remain effective, we will be required to pay additional interest of 0.25% per annum for the first 90 day period following such event and an additional 0.25% per annum for each subsequent 90 day period prior to the consummation of the exchange offer up to a maximum additional interest rate of 0.5% per annum.

##### *HCT Notes*

As part of the establishment of the HCT to provide retiree healthcare benefits to certain active and retired employees in Canada, we issued notes to the HCT with a fair value of \$1.1 billion in October 2011. We recorded a premium of \$42 million at issuance. The notes accrued interest at an annual rate of 7.0%. The notes were due in periodic installments through 2018. In October 2013 we prepaid the HCT notes in full for \$1.2 billion. Refer to Note 15 for additional information on the HCT settlement.

##### *GM Korea Preferred Shares*

Prior to April 2013 GM Korea had outstanding non-convertible mandatorily redeemable preferred shares. Dividends accrued at a rate of 2.5% through October 2012 and increased to 7.0% through 2017. In December 2012 GM Korea made a payment of \$671 million to redeem early a portion of shares that had a carrying amount of \$429 million and the difference was recorded as a loss on extinguishment of debt. In April 2013 GM Korea made a payment of \$708 million to redeem early the remaining balance of the shares that had a carrying amount of \$468 million and the difference was recorded as a loss on extinguishment of debt.

#### *Gains (Losses) on Extinguishment of Debt*

In the year ended December 31, 2013 we prepaid and retired debt obligations with a total carrying amount of \$1.8 billion and recorded a net loss on extinguishment of debt of \$212 million which primarily represented the unamortized debt discount on the GM Korea mandatorily redeemable preferred shares. In the year ended December 31, 2012 we prepaid and retired debt obligations with a total carrying amount of \$514 million and recorded a net loss on extinguishment of debt of \$250 million which primarily represented the unamortized debt discount on the GM Korea mandatorily redeemable preferred shares. In the year ended December 31, 2011 we prepaid and retired in full debt facilities of \$1.0 billion held by certain of our subsidiaries, primarily in GMNA and GMSA, and recorded a gain on these debt facilities of \$18 million.

#### *Technical Defaults and Covenant Violations*

Several of our loan facilities, including our secured revolving credit facilities, require compliance with certain financial and operational covenants as well as regular reporting to lenders, including providing certain subsidiary financial statements. Failure to meet certain of these requirements may result in a covenant violation or an event of default depending on the terms of the agreement. An event of default may allow lenders to declare amounts outstanding under these agreements immediately due and payable, to enforce their interests against collateral pledged under these agreements or restrict our ability to obtain additional borrowings. A foreign subsidiary was not in compliance with certain financial covenants under its \$77 million term loan facility. We are evaluating alternatives to cure this financial covenant issue and included this liability in Short-term debt and current portion of long-term debt.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Automotive Financing — GM Financial

The following table summarizes the carrying amount and fair value of debt (dollars in millions):

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value (a)	Carrying Amount	Fair Value (a)
<b>Secured</b>				
Revolving credit facilities	\$ 9,000	\$ 8,995	\$ 354	\$ 354
Securitization notes payable (b)	13,073	13,175	9,024	9,171
Total secured	22,073	22,170	9,378	9,525
<b>Unsecured</b>				
Senior notes	4,000	4,106	1,500	1,620
Bank lines and other unsecured debt	2,973	2,972	—	—
Total unsecured	6,973	7,078	1,500	1,620
Total GM Financial debt	\$ 29,046	\$ 29,248	\$ 10,878	\$ 11,145

- (a) The fair value of debt includes \$23.0 billion and \$11.1 billion measured utilizing Level 2 inputs at December 31, 2013 and 2012 and \$6.2 billion measured utilizing Level 3 inputs at December 31, 2013. For revolving credit facilities with variable interest rates and maturities of one year or less, the carrying amount is considered to be a reasonable estimate of fair value. The fair value of other secured debt and the unsecured debt is based on quoted market prices, when available. If quoted market prices are not available, the market value is estimated by discounting future net cash flows expected to be paid using current risk-adjusted rates.
- (b) Includes a private securitization that GM Financial used observable and unobservable inputs to estimate fair value. Unobservable inputs are related to the structuring of the debt into various classes, which is based on public securitizations issued during the same time frame. Observable inputs are used by obtaining active prices based on the securitization debt issued during the same time frame. These observable inputs are then used to create expected market prices (unobservable inputs), which are then applied to the debt classes in order to estimate fair value which would approximate market value.

**Secured**

*Revolving Credit Facilities*

The revolving credit facilities have revolving periods ranging from one to three years. At the end of the revolving period, if the facilities are not renewed, the debt will amortize over periods ranging up to six years. Most of the secured debt was issued by VIEs and it is repayable only from proceeds related to the underlying pledged finance receivables and leases. Refer to Note 12 for additional information relating to GM Financial's involvement with VIEs. Weighted-average interest rates are both fixed and variable, ranging from 0.9% to 15.9% at December 31, 2013.

GM Financial is required to hold certain funds in restricted cash accounts to provide additional collateral for borrowings under certain secured credit facilities. Additionally, some of GM Financial's secured credit facilities contain various covenants requiring minimum financial ratios, asset quality and portfolio performance ratios (portfolio net loss and delinquency ratios and pool level cumulative net loss ratios) as well as limits on deferment levels. Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs under these agreements the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable, enforce their interests against collateral pledged under these agreements, restrict GM Financial's ability to obtain additional borrowings under these agreements and/or remove GM Financial as servicer. At December 31, 2013 GM Financial was in compliance with all covenants related to its credit facilities.

In the year ended December 31, 2013 GM Financial entered into two new credit facilities with a total borrowing capacity of \$1.3 billion. At December 31, 2013 revolving credit facilities of \$7.3 billion resulted from the acquisition of the Ally Financial international operations.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### *Securitization Notes Payable*

Securitization notes payable represents debt issued by GM Financial through securitization transactions. Debt issuance costs are amortized over the expected term of the securitizations on an effective yield basis. As a result of GM Financial's acquisition of the Ally Financial international operations, GM Financial recorded a purchase accounting discount of \$69 million that will amortize to interest expense over the expected term of the notes. At December 31, 2013 the remaining purchase accounting discount of \$47 million is included in Total secured debt.

At the time of securitization of finance receivables, GM Financial is required to pledge assets equal to a specified percentage of the securitization pool to support the securitization transaction. The assets pledged consist of cash deposited to a restricted account and additional receivables delivered to the trust, which create overcollateralization. The securitization transactions require the percentage of assets pledged to support the transaction to increase until a specified level is attained. Excess cash flows generated by the trusts are added to the restricted cash account or used to pay down outstanding debt in the trusts, creating overcollateralization until the targeted percentage level of assets is reached. Once the targeted percentage level of assets is reached and maintained, excess cash flows generated by the trusts are released to GM Financial as distributions from trusts. As the balance of the securitization pool declines, the amount of pledged assets needed to maintain the required percentage level is reduced. Assets in excess of the required percentage are also released to GM Financial as distributions from trusts.

In the year ended December 31, 2013 GM Financial issued securitization notes payable of \$6.8 billion with a weighted-average interest rate of 1.7% maturing on various dates through 2021. At December 31, 2013 securitization notes payable of \$2.3 billion resulted from the acquisition of the Ally Financial international operations.

#### *Unsecured*

##### *Senior Notes*

In May 2013 GM Financial issued \$2.5 billion in aggregate principal amount of senior notes due in 2016 through 2023 with interest rates that range from 2.75% to 4.25%. In August 2012 GM Financial issued 4.75% senior notes of \$1.0 billion which are due in August 2017 with interest payable semiannually. Senior notes outstanding at December 31, 2013 are due beginning in 2016 through 2023 and have interest rates that range from 2.75% to 6.75%. The notes are guaranteed by GM Financial's principal operating subsidiary.

##### *Bank Lines and Other Unsecured Debt*

The maturity dates of bank lines and other unsecured debt, which was assumed in the acquisition of the Ally Financial international operations, range up to five years. If not renewed, any balance outstanding under these bank lines is either immediately due in full or will amortize over a defined period. Interest rates on bank lines and other unsecured debt ranged from 1.1% to 12.9% at December 31, 2013.

#### **Consolidated**

##### *Interest Expense*

The following table summarizes interest expense (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Automotive .....	\$ 334	\$ 489	\$ 540
Automotive Financing — GM Financial .....	715	283	204
Total interest expense .....	<u>\$ 1,049</u>	<u>\$ 772</u>	<u>\$ 744</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Debt Maturities**

The following table summarizes contractual maturities including capital leases at December 31, 2013 (dollars in millions):

	Automotive	Automotive Financing (a)	Total
2014 .....	\$ 543	\$ 13,594	\$ 14,137
2015 .....	147	6,473	6,620
2016 .....	109	4,199	4,308
2017 .....	496	2,337	2,833
2018 .....	1,582	1,693	3,275
Thereafter .....	5,025	750	5,775
	<u>\$ 7,902</u>	<u>\$ 29,046</u>	<u>\$ 36,948</u>

(a) Secured debt, bank lines and other unsecured debt are based on expected payoff date. Senior notes principal amounts are based on maturity.

At December 31, 2013 future interest payments on automotive capital lease obligations were \$578 million. GM Financial had no capital lease obligations at December 31, 2013.

**Note 15. Pensions and Other Postretirement Benefits**

**Employee Pension and Other Postretirement Benefit Plans**

**Defined Benefit Pension Plans**

Defined benefit pension plans covering eligible U.S. hourly employees (hired prior to October 2007) and Canadian hourly employees generally provide benefits of negotiated, stated amounts for each year of service and supplemental benefits for employees who retire with 30 years of service before normal retirement age. The benefits provided by the defined benefit pension plans covering eligible U.S. (hired prior to January 1, 2001) and Canadian salaried employees and employees in certain other non-U.S. locations are generally based on years of service and compensation history. Accrual of defined pension benefits ceased on September 30, 2012 for U.S. salaried employees and on December 31, 2012 for Canadian salaried employees. There is also an unfunded nonqualified pension plan covering primarily U.S. executives for service prior to January 1, 2007 and it is based on an “excess plan” for service after that date.

**Pension Contributions**

The funding policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulations or to directly pay benefit payments where appropriate. At December 31, 2013 all legal funding requirements had been met. We expect to contribute \$100 million to our U.S. non-qualified plans and \$749 million to our non-U.S. pension plans in 2014. The following table summarizes contributions made to the defined benefit pension plans (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
U.S. hourly and salaried .....	\$ 128	\$ 2,420	\$ 1,962
Non-U.S. ....	886	855	836
Total .....	<u>\$ 1,014</u>	<u>\$ 3,275</u>	<u>\$ 2,798</u>

We made a voluntary contribution in January 2011 to our U.S. hourly and salaried defined benefit pension plans of 61 million shares of our common stock valued at \$2.2 billion for funding purposes at the time of contribution. The contributed shares qualified as a plan asset for funding purposes at the time of contribution and as a plan asset valued at \$1.9 billion for accounting purposes in July 2011. This was a voluntary contribution above our funding requirements for the pension plans.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We continue to pursue various options to fund and derisk our pension plans, including continued changes to the pension asset portfolio mix to reduce funded status volatility.

***Other Postretirement Benefit Plans***

Certain hourly and salaried defined benefit plans provide postretirement medical, dental, legal service and life insurance to eligible U.S. and Canadian retirees and their eligible dependents. Certain other non-U.S. subsidiaries have postretirement benefit plans, although most non-U.S. employees are covered by government sponsored or administered programs.

***OPEB Contributions***

The following table summarizes contributions to the U.S. OPEB plans (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Employer contributions . . . . .	\$ 393	\$ 432	\$ 426
Plan participants' contributions . . . . .	29	4	13
Total contributions . . . . .	<u>\$ 422</u>	<u>\$ 436</u>	<u>\$ 439</u>

For the year ended December 31, 2011 we also contributed \$1.9 billion to the independent HCT consisting of restricted cash of \$782 million and notes payable of \$1.1 billion.

***Defined Contribution Plans***

We have a defined contribution plan for eligible U.S. salaried employees. This plan provides discretionary matching contributions which we instituted in October 2009. U.S. hourly employees hired after September 2007 also participate in a defined contribution plan. Contributions are also made to certain non-U.S. defined contribution plans. We made contributions to our defined contribution plans of \$502 million, \$352 million and \$297 million in the years ended December 31, 2013, 2012 and 2011.

**Significant Plan Amendments, Benefit Modifications and Related Events**

***U.S. Salaried Defined Benefit Life Insurance Plan***

In September 2013 we amended the U.S. salaried life insurance plan effective January 1, 2014 to eliminate benefits for retirees and eligible employees retiring on or after August 1, 2009. The remeasurement, settlement and curtailment resulted in a decrease in the OPEB liability of \$319 million, a decrease in the net pre-tax actuarial loss component of Accumulated other comprehensive loss of \$236 million and a pre-tax gain of \$83 million.

***U.S. Salaried Defined Benefit Pension Plan***

In 2012 we amended the salaried pension plan to cease the accrual of additional benefits effective September 30, 2012 resulting in a curtailment of \$309 million which decreased the pension liability. We divided the plan to create a new legally separate defined benefit plan primarily for active and terminated vested participants. Settlement payments of \$30.6 billion were made consisting of lump-sum pension distributions of \$3.6 billion to retired salaried plan participants, group annuity contracts purchased for a total annuity premium of \$25.1 billion and two separate previously guaranteed obligations of \$1.9 billion were settled. These agreements unconditionally and irrevocably guarantee the full payment of all annuity payments to the participants that were receiving payments from the plan and the insurance companies assumed all investment risk associated with the assets that were delivered as the annuity contract premiums.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Through these transactions we have settled certain pension obligations in their entirety resulting in a pre-tax settlement loss of \$2.6 billion (\$2.2 billion after tax) in Automotive cost of sales. The pre-tax loss is composed of existing losses in Accumulated other comprehensive loss of \$377 million, and the premium paid to the insurance company of \$2.1 billion. The tax benefit of \$413 million is composed of the statutory tax benefit of \$1.0 billion offset by tax expense of \$596 million primarily associated with the removal of prior period income tax allocations between Accumulated other comprehensive loss and Income tax expense (benefit).

In 2012 we provided short-term, interest-free, unsecured loans of \$2.2 billion to provide the plan with incremental liquidity to pay ongoing benefits and administrative costs. Contributions of \$1.7 billion were made from the \$2.2 billion loans. Through December 31, 2012 \$430 million was repaid and \$90 million of the loan was still outstanding. In the year ended December 31, 2013 \$60 million was repaid and the remaining \$30 million was deemed a plan contribution.

Active salaried plan participants began receiving additional contributions in the defined contribution plan in October 2012. Lump-sum pension distributions in 2013 of \$430 million resulted in a pre-tax settlement gain of \$128 million.

#### *Canadian Salaried Defined Benefit Plans*

In June 2012 we amended the Canadian salaried pension plan to cease the accrual of additional benefits effective December 31, 2012 and provide active employees a lump-sum distribution option at retirement. The remeasurement, amendments and offsetting curtailment increased the pension liability by \$84 million. Active plan participants started receiving additional contributions in the defined contribution plan starting in January 2013.

We also amended the Canadian salaried retiree healthcare plan to eliminate post-65 healthcare benefits for employees retiring on or after July 1, 2014. In conjunction with this change we amended the plan to offer either a monthly monetary payment or an annual lump-sum cash payment to a defined contribution plan for health care in lieu of the benefit coverage provisions formerly provided under the healthcare plan. These amendments decreased the OPEB liability by \$28 million.

#### *Canadian HCT*

In October 2011 pursuant to a June 2009 agreement between General Motors of Canada Limited (GMCL) and the CAW an independent HCT was implemented to provide retiree healthcare benefits to certain active and retired employees. Concurrent with the implementation of the HCT, GMCL was legally released from all obligations associated with the cost of providing retiree healthcare benefits to CAW retirees and surviving spouses by the class action process and to CAW active employees as of June 8, 2009. We accounted for the related termination of CAW hourly retiree healthcare benefits as a settlement and recorded a gain of \$749 million in Automotive cost of sales. The settlement gain represents the difference between the healthcare plan obligation of \$3.1 billion (as of the implementation date) and the fair value of the notes and restricted cash contributed totaling \$1.9 billion, and recognition of Accumulated other comprehensive loss of \$414 million.

#### *Other Remeasurements*

In March 2012 certain pension plans in GME were remeasured as part of our goodwill impairment testing, resulting in an increase of \$150 million in the pension liability and a pre-tax increase in the net actuarial loss component of Accumulated other comprehensive loss.

In September 2011 a plan which provided legal services to U.S. hourly employees and retirees was remeasured as a result of our labor agreement provisions which terminated the plan effective December 31, 2013. The negotiated termination has been accounted for as a negative plan amendment resulting in a decrease in the OPEB liability and a pre-tax increase of \$266 million in the prior service credit component of Accumulated other comprehensive loss was amortized through December 31, 2013.

In March 2011 certain pension plans in GME were remeasured as part of our goodwill impairment testing, resulting in a decrease of \$272 million in the pension liability and a pre-tax increase in the net actuarial gain component of Accumulated other comprehensive loss.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Refer to Note 10 for additional information on our Goodwill impairment.

Pension and OPEB Obligations and Plan Assets

The following table summarizes the change in benefit obligations and related plan assets (dollars in millions):

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Change in benefit obligations</b>								
Beginning benefit obligation	\$ 82,110	\$ 29,301	\$ 6,271	\$ 1,528	\$ 108,562	\$ 25,765	\$ 5,822	\$ 1,490
Service cost	298	394	24	13	452	383	23	16
Interest cost	2,837	1,010	217	57	4,055	1,110	234	63
Plan participants' contributions	—	4	29	2	—	7	4	1
Amendments	—	(4)	—	(4)	(32)	139	—	(52)
Actuarial (gains) losses	(7,661)	(1,009)	(757)	(210)	8,432	2,774	622	13
Benefits paid	(5,719)	(1,683)	(422)	(53)	(8,422)	(1,551)	(436)	(55)
Foreign currency translation adjustments	—	(528)	—	(98)	—	682	—	30
Business combinations	—	128	—	—	—	—	—	—
Curtailments, settlements and other	(385)	(85)	(252)	3	(30,937)	(8)	2	22
Ending benefit obligation	71,480	27,528	5,110	1,238	82,110	29,301	6,271	1,528
<b>Change in plan assets</b>								
Beginning fair value of plan assets	68,085	15,541	—	—	94,349	14,541	—	—
Actual return on plan assets	2,107	988	—	—	10,332	1,344	—	—
Employer contributions	128	886	393	51	2,420	855	432	54
Plan participants' contributions	—	4	29	2	—	7	4	1
Benefits paid	(5,719)	(1,683)	(422)	(53)	(8,422)	(1,551)	(436)	(55)
Foreign currency translation adjustments	—	(692)	—	—	—	389	—	—
Business combinations	—	26	—	—	—	—	—	—
Settlements	(435)	(87)	—	—	(30,629)	(207)	—	—
Other	—	3	—	—	35	163	—	—
Ending fair value of plan assets	64,166	14,986	—	—	68,085	15,541	—	—
Ending funded status	\$ (7,314)	\$ (12,542)	\$ (5,110)	\$ (1,238)	\$ (14,025)	\$ (13,760)	\$ (6,271)	\$ (1,528)
<b>Amounts recorded in the consolidated balance sheets</b>								
Non-current assets	\$ —	\$ 137	\$ —	\$ —	\$ —	\$ 73	\$ —	\$ —
Current liabilities	(131)	(379)	(368)	(83)	(95)	(343)	(406)	(84)
Non-current liabilities	(7,183)	(12,300)	(4,742)	(1,155)	(13,930)	(13,490)	(5,865)	(1,444)
Net amount recorded	\$ (7,314)	\$ (12,542)	\$ (5,110)	\$ (1,238)	\$ (14,025)	\$ (13,760)	\$ (6,271)	\$ (1,528)
<b>Amounts recorded in Accumulated other comprehensive loss</b>								
Net actuarial gain (loss)	\$ 4,747	\$ (3,379)	\$ (542)	\$ 47	\$ (1,434)	\$ (4,786)	\$ (1,573)	\$ (188)
Net prior service (cost) credit	38	(87)	19	91	42	(111)	135	118
Total recorded in Accumulated other comprehensive loss	\$ 4,785	\$ (3,466)	\$ (523)	\$ 138	\$ (1,392)	\$ (4,897)	\$ (1,438)	\$ (70)

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the total accumulated benefit obligations (ABO), the fair value of plan assets for defined benefit pension plans with ABO in excess of plan assets, and the projected benefit obligation (PBO) and fair value of plan assets for defined benefit pension plans with PBO in excess of plan assets (dollars in millions):

	December 31, 2013		December 31, 2012	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
ABO .....	\$ 71,461	\$ 27,069	\$ 82,103	\$ 28,880
<b>Plans with ABO in excess of plan assets</b>				
ABO .....	\$ 71,461	\$ 25,897	\$ 82,103	\$ 28,156
Fair value of plan assets .....	\$ 64,166	\$ 13,663	\$ 68,085	\$ 14,702
<b>Plans with PBO in excess of plan assets</b>				
PBO .....	\$ 71,480	\$ 26,788	\$ 82,110	\$ 28,537
Fair value of plan assets .....	\$ 64,166	\$ 14,109	\$ 68,085	\$ 14,704

The following table summarizes the components of net periodic pension and OPEB expense along with the assumptions used to determine benefit obligations (dollars in millions):

	Year Ended December 31, 2013				Year Ended December 31, 2012				Year Ended December 31, 2011			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Components of expense</b>												
Service cost .....	\$ 395	\$ 425	\$ 24	\$ 13	\$ 590	\$ 411	\$ 23	\$ 16	\$ 632	\$ 399	\$ 23	\$ 30
Interest cost .....	2,837	1,010	217	57	4,055	1,110	234	63	4,915	1,215	265	186
Expected return on plan assets .....	(3,562)	(823)	—	—	(5,029)	(870)	—	—	(6,692)	(925)	—	—
Amortization of prior service cost (credit) .....	(4)	19	(116)	(14)	(1)	1	(116)	(12)	(2)	(2)	(39)	(9)
Recognized net actuarial loss .....	6	208	85	6	2	35	52	6	—	—	6	—
Curtailments, settlements and other (gains) losses .....	(77)	(6)	(62)	—	2,580	71	—	11	(23)	(7)	—	(749)
Net periodic pension and OPEB expense (income) ...	<u>\$ (405)</u>	<u>\$ 833</u>	<u>\$ 148</u>	<u>\$ 62</u>	<u>\$ 2,197</u>	<u>\$ 758</u>	<u>\$ 193</u>	<u>\$ 84</u>	<u>\$ (1,170)</u>	<u>\$ 680</u>	<u>\$ 255</u>	<u>\$ (542)</u>
<b>Weighted-average assumptions used to determine benefit obligations</b>												
Discount rate .....	4.46%	4.10%	4.52%	4.71%	3.59%	3.70%	3.68%	3.97%	4.15%	4.50%	4.24%	4.37%
Rate of compensation increase (a) .....	N/A	2.90%	N/A	4.21%	N/A	2.77%	4.50%	4.21%	4.50%	3.11%	4.50%	4.20%
<b>Weighted-average assumptions used to determine net expense</b>												
Discount rate .....	3.59%	3.69%	3.69%	3.97%	4.06%	4.45%	4.24%	4.31%	4.96%	5.16%	5.05%	5.01%
Expected rate of return on plan assets .....	5.77%	5.70%	N/A	N/A	6.18%	6.20%	N/A	N/A	8.00%	6.50%	N/A	N/A
Rate of compensation increase (a) .....	N/A	2.77%	4.50%	4.21%	4.50%	3.15%	4.50%	4.21%	3.96%	3.25%	4.50%	4.42%

(a) As a result of ceasing the accrual of additional benefits for salaried plan participants, the rate of compensation increase does not have a significant effect on our U.S. pension and OPEB plans.

U.S. pension plan service cost includes administrative expenses of \$97 million, \$138 million and \$138 million in the years ended December 31, 2013, 2012 and 2011. Weighted-average assumptions used to determine net expense are determined at the beginning of the period and updated for remeasurements. Non-U.S. pension plan service cost includes administrative expenses of \$31 million and \$28 million in the years ended December 31, 2013 and 2012.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes estimated amounts to be amortized from Accumulated other comprehensive loss into net periodic benefit cost in the year ending December 31, 2014 based on December 31, 2013 plan measurements (dollars in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	U.S. Other Benefit Plans	Non-U.S. Other Benefit Plans
Amortization of prior service cost (credit) . . . . .	\$ (4)	\$ 19	\$ (2)	\$ (14)
Amortization of net actuarial (gain) loss . . . . .	(91)	159	14	(6)
	<u>\$ (95)</u>	<u>\$ 178</u>	<u>\$ 12</u>	<u>\$ (20)</u>

**Assumptions**

*Investment Strategies and Long-Term Rate of Return*

Detailed periodic studies conducted by outside actuaries and an internal asset management group are used to determine the long-term strategic mix among asset classes, risk mitigation strategies, and the expected long-term return on asset assumptions for the U.S. pension plans. The U.S. study includes a review of alternative asset allocation and risk mitigation strategies, anticipated future long-term performance and risk of the individual asset classes that comprise the plans' asset mix. Similar studies are performed for the significant non-U.S. pension plans with the assistance of outside actuaries and asset managers. While the studies incorporate data from recent plan performance and historical returns, the expected long-term return on plan asset assumptions are determined based on long-term, prospective rates of return.

The strategic asset mix and risk mitigation strategies for the plans are tailored specifically for each plan. Individual plans have distinct liabilities, liquidity needs, and regulatory requirements. Consequently, there are different investment policies set by individual plan fiduciaries. Although investment policies and risk mitigation strategies may differ among plans, each investment strategy is considered to be appropriate in the context of the specific factors affecting each plan.

In setting new strategic asset mixes, consideration is given to the likelihood that the selected mixes will effectively fund the projected pension plan liabilities, while aligning with the risk tolerance of the plans' fiduciaries. The strategic asset mixes for U.S. defined benefit pension plans are increasingly designed to satisfy the competing objectives of improving funded positions (market value of assets equal to or greater than the present value of the liabilities) and mitigating the possibility of a deterioration in funded status.

Derivatives may be used to provide cost effective solutions for rebalancing investment portfolios, increasing or decreasing exposure to various asset classes and for mitigating risks, primarily interest rate and currency risks. Equity and fixed income managers are permitted to utilize derivatives as efficient substitutes for traditional physical securities. Interest rate derivatives may be used to adjust portfolio duration to align with a plan's targeted investment policy. Alternative investment managers are permitted to employ leverage, including through the use of derivatives, which may alter economic exposure.

In December 2013 an investment policy study was completed for the U.S. pension plans. The study resulted in new target asset allocations being approved for the U.S. pension plans with resulting changes to the expected long-term rate of return on assets. The weighted-average long-term rate of return on assets increased from 5.8% at December 31, 2012 to 6.5% at December 31, 2013 due primarily to higher yields on fixed income securities. The expected long-term rate of return on plan assets used in determining pension expense for non-U.S. plans is determined in a similar manner to the U.S. plans.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Target Allocation Percentages**

The following table summarizes the target allocations by asset category for U.S. and non-U.S. defined benefit pension plans:

Asset Categories	December 31, 2013		December 31, 2012	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Equity .....	19%	28%	19%	30%
Debt .....	58%	49%	60%	53%
Other (a) .....	23%	23%	21%	17%
Total .....	100%	100%	100%	100%

(a) Primarily includes private equity, real estate and absolute return strategies which mainly consist of hedge funds.

**Assets and Fair Value Measurements**

The following tables summarize the fair value of defined benefit pension plan assets by asset class (dollars in millions):

	Fair Value Measurements of U.S. Plan Assets at December 31, 2013				Fair Value Measurements of Non-U.S. Plan Assets at December 31, 2013				Total U.S. and Non- U.S. Plan Assets
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
<b>Assets</b>									
Cash equivalents and other short-term investments . . . . .	\$ —	\$ 411	\$ —	\$ 411	\$ —	\$ 156	\$ —	\$ 156	\$ 567
Common and preferred stocks (a) . . . . .	10,234	70	6	10,310	1,816	6	—	1,822	12,132
Government and agency debt securities (b) . . . . .	—	14,971	—	14,971	—	3,418	—	3,418	18,389
Corporate debt securities (c) . . . . .	—	20,409	58	20,467	—	2,410	12	2,422	22,889
Mortgage and asset-backed securities . . . .	—	238	72	310	—	65	2	67	377
Investment funds									
Equity funds . . . . .	72	190	44	306	128	1,930	—	2,058	2,364
Fixed income funds . . . . .	27	8	113	148	—	927	12	939	1,087
Funds of hedge funds . . . . .	—	—	4,285	4,285	—	—	733	733	5,018
Other investment funds . . . . .	—	820	732	1,552	—	672	—	672	2,224
Private equity and debt investments (d) . . .	—	—	6,335	6,335	—	—	430	430	6,765
Real estate investments (e) . . . . .	390	4	4,127	4,521	13	12	1,405	1,430	5,951
Other investments . . . . .	—	—	62	62	—	—	618	618	680
Derivatives									
Interest rate contracts . . . . .	5	46	—	51	1	1	—	2	53
Foreign exchange and other contracts . . . . .	12	111	—	123	2	43	—	45	168
Total assets . . . . .	10,740	37,278	15,834	63,852	1,960	9,640	3,212	14,812	78,664
<b>Liabilities</b>									
Derivatives									
Interest rate contracts . . . . .	(22)	(213)	(6)	(241)	(12)	—	—	(12)	(253)
Foreign exchange and other contracts . . . . .	—	(98)	—	(98)	—	(56)	—	(56)	(154)
Total liabilities . . . . .	(22)	(311)	(6)	(339)	(12)	(56)	—	(68)	(407)
Net plan assets subject to leveling . . . . .	\$ 10,718	\$ 36,967	\$ 15,828	63,513	\$ 1,948	\$ 9,584	\$ 3,212	14,744	78,257
Other plan assets and liabilities (g) . . . . .				653				242	895
<b>Net Plan Assets</b> . . . . .				\$ 64,166				\$ 14,986	\$ 79,152

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fair Value Measurements of U.S. Plan Assets at December 31, 2012				Fair Value Measurements of Non-U.S. Plan Assets at December 31, 2012				Total U.S. and Non- U.S. Plan Assets
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
<b>Assets</b>									
Cash equivalents and other short-term investments . . . . .	\$ —	\$ 551	\$ —	\$ 551	\$ —	\$ 151	\$ —	\$ 151	\$ 702
Common and preferred stocks (a) . . . . .	9,663	26	19	9,708	2,227	—	—	2,227	11,935
Government and agency debt securities (b) . . .	—	17,835	—	17,835	—	3,722	—	3,722	21,557
Corporate debt securities (c) . . . . .	—	19,116	77	19,193	—	2,596	2	2,598	21,791
Mortgage and asset-backed securities . . . . .	—	1,804	105	1,909	—	54	3	57	1,966
<b>Investment funds</b>									
Equity funds . . . . .	66	253	195	514	212	2,009	—	2,221	2,735
Fixed income funds . . . . .	16	498	190	704	—	1,046	14	1,060	1,764
Funds of hedge funds . . . . .	—	—	3,768	3,768	—	—	627	627	4,395
Other investment funds . . . . .	—	837	806	1,643	—	35	—	35	1,678
Private equity and debt investments (d) . . . . .	—	—	6,400	6,400	—	—	381	381	6,781
Real estate investments (e) . . . . .	412	—	4,335	4,747	19	31	1,422	1,472	6,219
Other investments . . . . .	—	—	63	63	—	—	665	665	728
<b>Derivatives</b>									
Interest rate contracts . . . . .	15	1,553	—	1,568	—	—	—	—	1,568
Foreign exchange and other contracts . . . . .	6	124	1	131	2	40	—	42	173
Total assets . . . . .	10,178	42,597	15,959	68,734	2,460	9,684	3,114	15,258	83,992
<b>Liabilities</b>									
Mortgage and asset-backed securities (f) . . . . .	—	(15)	—	(15)	—	—	—	—	(15)
<b>Derivatives</b>									
Interest rate contracts . . . . .	(21)	(977)	(8)	(1,006)	(4)	—	—	(4)	(1,010)
Foreign exchange and other contracts . . . . .	(4)	(123)	(1)	(128)	(1)	(36)	—	(37)	(165)
Total liabilities . . . . .	(25)	(1,115)	(9)	(1,149)	(5)	(36)	—	(41)	(1,190)
Net plan assets subject to leveling . . . . .	\$ 10,153	\$ 41,482	\$ 15,950	67,585	\$ 2,455	\$ 9,648	\$ 3,114	15,217	82,802
Other plan assets and liabilities (g) . . . . .				500				324	824
<b>Net Plan Assets</b> . . . . .				\$ 68,085				\$ 15,541	\$ 83,626

(a) Includes GM common stock of \$2 million and \$1.4 billion in Level 1 of U.S. plan assets at December 31, 2013 and 2012.

(b) Includes U.S. and sovereign government and agency issues. Excludes mortgage and asset-backed securities.

(c) Includes bank debt obligations.

(d) Includes private equity investment funds.

(e) Includes investment funds and public real estate investment trusts.

(f) Primarily investments sold short.

(g) Cash held by the plans, net of amounts receivable/payable for unsettled security transactions and payables for investment manager fees, custody fees and other expenses.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize the activity for U.S. plan assets measured at fair value using Level 3 inputs (dollars in millions):

	Balance at January 1, 2013	Net Realized/ Unrealized Gains (Losses)	Purchases, Sales and Settlements, Net	Transfers Into/ Out of Level 3	Balance at December 31, 2013	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2013
<b>Assets</b>						
Common and preferred stocks	\$ 19	\$ 3	\$ (16)	\$ —	\$ 6	\$ 1
Corporate debt securities	77	5	(24)	—	58	(2)
Mortgage and asset-backed securities	105	1	(34)	—	72	(1)
Investment funds						
Equity funds	195	(3)	(148)	—	44	—
Fixed income funds	190	17	(94)	—	113	11
Funds of hedge funds	3,768	498	19	—	4,285	497
Other investment funds	806	40	(114)	—	732	29
Private equity and debt investments	6,400	926	(991)	—	6,335	436
Real estate investments	4,335	458	(666)	—	4,127	190
Other investments	63	(2)	1	—	62	(2)
Total assets	15,958	1,943	(2,067)	—	15,834	1,159
<b>Derivatives, net</b>						
Interest rate contracts	(8)	2	—	—	(6)	1
Total net assets	\$ 15,950	\$ 1,945	\$ (2,067)	\$ —	\$ 15,828	\$ 1,160

	Balance at January 1, 2012	Net Realized/ Unrealized Gains (Losses)	Purchases, Sales and Settlements, Net	Transfers Into/ Out of Level 3	Balance at December 31, 2012	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2012
<b>Assets</b>						
Common and preferred stocks	\$ 46	\$ 1	\$ (25)	\$ (3)	\$ 19	\$ 3
Government and agency debt securities	3	(1)	(2)	—	—	—
Corporate debt securities	352	1	(258)	(18)	77	(35)
Mortgage and asset-backed securities	197	34	(120)	(6)	105	24
Group annuity contracts	3,209	77	(3,286)	—	—	—
Investment funds						
Equity funds	521	51	(414)	37	195	18
Fixed income funds	1,210	47	(1,067)	—	190	(3)
Funds of hedge funds	5,918	310	(2,460)	—	3,768	239
Other investment funds	2,270	55	(1,531)	12	806	(2)
Private equity and debt investments	8,444	1,022	(3,038)	(28)	6,400	154
Real estate investments	5,092	198	(955)	—	4,335	(80)
Other investments	—	—	63	—	63	—
Total assets	27,262	1,795	(13,093)	(6)	15,958	318
<b>Derivatives, net</b>						
Interest rate contracts	7	3	(14)	(4)	(8)	(1)
Foreign exchange and other contracts	(6)	1	5	—	—	—
Total net assets	\$ 27,263	\$ 1,799	\$ (13,102)	\$ (10)	\$ 15,950	\$ 317



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize the activity for non-U.S. plan assets measured at fair value using Level 3 inputs (dollars in millions):

	Balance at January 1, 2013	Net Realized/ Unrealized Gains (Losses)	Purchases, Sales and Settlements, Net	Transfers Into/Out of Level 3	Effect of Foreign Currency	Balance at December 31, 2013	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2013
<b>Assets</b>							
Corporate debt securities . . . . .	\$ 2	\$ 1	\$ 8	\$ 1	\$ —	\$ 12	\$ 1
Mortgage and asset-backed securities . . . .	3	—	(1)	—	—	2	—
Investment funds							
Fixed income funds . . . . .	14	(1)	(1)	—	—	12	—
Funds of hedge funds . . . . .	627	111	28	—	(33)	733	112
Private equity and debt investments . . . . .	381	73	3	—	(27)	430	53
Real estate investments . . . . .	1,422	103	(57)	—	(63)	1,405	122
Other investments . . . . .	665	(10)	(43)	—	6	618	4
Total assets . . . . .	<u>\$ 3,114</u>	<u>\$ 277</u>	<u>\$ (63)</u>	<u>\$ 1</u>	<u>\$ (117)</u>	<u>\$ 3,212</u>	<u>\$ 292</u>

	Balance at January 1, 2012	Net Realized/ Unrealized Gains (Losses)	Purchases, Sales and Settlements, Net	Transfers Into/Out of Level 3	Effect of Foreign Currency	Balance at December 31, 2012	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2012
<b>Assets</b>							
Government and agency debt securities . . .	\$ 1	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —
Corporate debt securities . . . . .	4	2	(4)	—	—	2	—
Mortgage and asset-backed securities . . . .	4	—	(4)	3	—	3	—
Investment funds							
Equity funds . . . . .	146	(24)	(124)	—	2	—	—
Fixed income funds . . . . .	20	—	(6)	—	—	14	—
Funds of hedge funds . . . . .	585	25	—	—	17	627	26
Other investment funds . . . . .	247	17	(269)	—	5	—	—
Private equity and debt investments . . . . .	298	46	29	—	8	381	24
Real estate investments . . . . .	1,345	123	(82)	—	36	1,422	119
Other investments . . . . .	428	16	203	—	18	665	10
Total assets . . . . .	<u>\$ 3,078</u>	<u>\$ 205</u>	<u>\$ (258)</u>	<u>\$ 3</u>	<u>\$ 86</u>	<u>\$ 3,114</u>	<u>\$ 179</u>

**Investment Fund Strategies**

Equity funds include funds that invest in U.S. common and preferred stocks as well as similar equity securities issued by companies incorporated, listed or domiciled in developed and/or emerging markets countries.

Fixed income funds include investments in high quality and high yield funds as well as in credit arbitrage funds. High quality fixed income funds invest in government securities, investment-grade corporate bonds, mortgages and asset-backed securities. High yield fixed income funds invest in high yield fixed income securities issued by corporations which are rated below investment grade, are unrated but are believed by the investment manager to have similar risk characteristics or are rated investment grade or higher but are priced at yields comparable to securities rated below investment grade and believed to have similar risk characteristics. Credit

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

arbitrage funds invest in a variety of credit and credit-related instruments that allow fund managers to profit from mispricing of these credit instruments. Certain derivatives may be used for hedging purposes by some fixed income fund managers to limit exposure to various risk factors.

Funds of hedge funds represent funds that invest in a portfolio of hedge funds. Fund managers typically seek to achieve their objectives by allocating capital across a broad array of funds and/or investment managers.

Other investment funds primarily represent multi-strategy funds. These funds invest in broadly diversified portfolios of equity, fixed income and derivative instruments. Certain funds may also employ multiple alternative investment strategies, in combination, such as global macro, event-driven (which seeks to profit from opportunities created by significant transactional events such as spin-offs, mergers and acquisitions, bankruptcy reorganizations, recapitalizations and share buybacks) and relative value (which seeks to take advantage of pricing discrepancies between instruments including equities, debt, options and futures).

Private equity and debt investments principally consists of investments in private equity and debt funds. These investments provide exposure to and benefit from long-term equity investments in private companies, including leveraged buy-outs, venture capital and distressed debt strategies.

Real estate investments include funds that invest in entities which are principally engaged in the ownership, acquisition, development, financing, sale and/or management of income-producing real estate properties, both commercial and residential. These funds typically seek long-term growth of capital and current income that is above average relative to public equity funds.

#### *Significant Concentrations of Risk*

The assets of the pension plans include certain private investment funds, private equity and debt securities, real estate investments and derivative instruments. Investment managers may be unable to quickly sell or redeem some or all of these investments at an amount close or equal to fair value in order to meet a plan's liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

Illiquid investments held by the plans are generally long-term investments that complement the long-term nature of pension obligations and are not used to fund benefit payments when currently due. Plan management monitors liquidity risk on an ongoing basis and has procedures in place that are designed to maintain flexibility in addressing plan-specific, broader industry and market liquidity events.

The pension plans may invest in financial instruments denominated in foreign currencies and may be exposed to risks that the foreign currency exchange rates might change in a manner that has an adverse effect on the value of the foreign currency denominated assets or liabilities. Forward currency contracts may be used to manage and mitigate foreign currency risk.

The pension plans may invest in fixed income securities for which any change in the relevant interest rates for particular securities might result in an investment manager being unable to secure similar returns upon the maturity or the sale of securities. In addition, changes to prevailing interest rates or changes in expectations of future interest rates might result in an increase or decrease in the fair value of the securities held. Interest rate swaps and other financial derivative instruments may be used to manage interest rate risk.

Counterparty credit risk is the risk that a counterparty to a financial instrument will default on its commitment. Counterparty risk is primarily related to over-the-counter derivative instruments used to manage risk exposures related to interest rates on long-term debt securities and foreign currency exchange rate fluctuations. The risk of default can be influenced by various factors including macro-economic conditions, market liquidity, fiscal and monetary policies and counterparty-specific characteristics and activities. Certain agreements with counterparties employ set-off, collateral support arrangements and other risk mitigating procedures designed to reduce the net exposure to credit risk in the event of counterparty default. Credit policies and processes are in place to manage concentrations of counterparty risk by seeking to undertake transactions with large well-capitalized counterparties and by monitoring the creditworthiness of these counterparties. The majority of derivatives held by the plans at December 31, 2013 were fully collateralized and therefore, the related counterparty credit risk was significantly reduced.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Pension Funding Requirements**

We are subject to a variety of U.S. federal rules and regulations, including the Employee Retirement Income Security Act of 1974, as amended and the Pension Protection Act of 2006, which govern the manner in which we fund and administer our pensions for our retired employees and their spouses. In 2012 the U.S. government enacted the Moving Ahead for Progress in the 21st Century Act which allows plan sponsors funding relief for pension plans through the application of higher funding interest rates. As a result, under current economic conditions, we expect no mandatory contributions to our U.S. qualified pension plans for at least five years. The new law does not impact our reported funded status. We have no funding requirements for our U.S. qualified plans in 2014.

We also maintain pension plans for employees in a number of countries outside the U.S. which are subject to local laws and regulations.

**Benefit Payments**

The following table summarizes net benefit payments expected to be paid in the future, which include assumptions related to estimated future employee service (dollars in millions):

	Pension Benefits (a)		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
2014 .....	\$ 5,780	\$ 1,609	\$ 376	\$ 77
2015 .....	\$ 5,687	\$ 1,597	\$ 364	\$ 65
2016 .....	\$ 5,475	\$ 1,688	\$ 352	\$ 65
2017 .....	\$ 5,368	\$ 1,711	\$ 341	\$ 65
2018 .....	\$ 5,210	\$ 1,581	\$ 332	\$ 66
2019 - 2023 .....	\$ 24,019	\$ 7,858	\$ 1,576	\$ 357

(a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our Cash and cash equivalents.

**Note 16. Derivative Financial Instruments****Automotive**

At December 31, 2013 and 2012 our derivative instruments consisted primarily of options and forward contracts, none of which were designated as hedging relationships. We had derivative instruments in asset positions with notional amounts of \$9.3 billion and \$9.1 billion and liability positions with notional amounts of \$427 million and \$1.6 billion at December 31, 2013 and 2012. The fair value of these derivative instruments was insignificant.

**Automotive Financing — GM Financial**

GM Financial had interest rate swaps and caps in asset positions with notional amounts of \$3.8 billion and \$775 million and liability positions with notional amounts of \$5.5 billion and \$775 million at December 31, 2013 and 2012. As a result of the acquisition of certain Ally Financial international operations, GM Financial had foreign currency swaps with notional amounts of \$1.7 billion and \$2.1 billion in asset and liability positions at December 31, 2013. The fair value of these derivative financial instruments was insignificant.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 17. Commitments and Contingencies**

The following tables summarize information related to commitments and contingencies (dollars in millions):

	December 31, 2013		December 31, 2012	
	Liability Recorded	Maximum Liability (a)	Liability Recorded	Maximum Liability (a)
<b>Guarantees</b>				
Third-party commercial loans and other obligations (b) . . . . .	\$ 51	\$ 15,616	\$ 168	\$ 22,496
Other product-related claims . . . . .	\$ 54	\$ 1,317	\$ 51	\$ 1,040

(a) Calculated as future undiscounted payments.

(b) Includes liabilities recorded of \$10 million and \$15 million and maximum liabilities of \$15.3 billion and \$22.1 billion related to Ally Financial repurchase obligations at December 31, 2013 and 2012.

	Liability Recorded	
	December 31, 2013	December 31, 2012
Other litigation-related liability and tax administrative matters (a) . . . . .	\$ 1,227	\$ 1,728
Product liability . . . . .	\$ 690	\$ 601
Credit card programs (b)		
Redemption liability (c) . . . . .	\$ 183	\$ 209
Deferred revenue (d) . . . . .	\$ 295	\$ 355
Environmental liability . . . . .	\$ 154	\$ 166

(a) Primarily indirect tax-related litigation as well as various non-U.S. labor related matters.

(b) At December 31, 2013 and 2012 qualified cardholders had rebates available, net of deferred program revenue, of approximately \$2.6 billion and \$2.9 billion.

(c) Recorded in Accrued liabilities.

(d) Recorded in Other liabilities and deferred income taxes.

**Guarantees**

We provide payment guarantees on commercial loans outstanding with third parties, such as dealers or rental car companies. These guarantees either expire in 2018 or are ongoing. We determined the fair value ascribed to the guarantees at inception and subsequent to inception to be insignificant based on the credit worthiness of the third parties.

We have agreements with third parties that guarantee the fulfillment of certain suppliers' commitments and other obligations. These guarantees expire in 2014 through 2016 or are ongoing, or upon the occurrence of specific events.

In some instances certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered. If vehicles are required to be repurchased under vehicle repurchase obligations, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer.

In connection with certain divestitures of assets or operating businesses, we have entered into agreements indemnifying certain buyers and other parties with respect to environmental conditions and other closure costs pertaining to real property we owned. We periodically enter into agreements that incorporate indemnification provisions in the normal course of business. It is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. Immaterial amounts have been recorded for such obligations as the majority of them are not probable or estimable at this time and the fair value of the guarantees at issuance was insignificant.



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition to the guarantees and indemnifying agreements previously discussed, we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to other product-related claims involving products manufactured by certain joint ventures, we believe that costs incurred are adequately covered by recorded accruals. These guarantees terminate in years ranging from 2020 to 2027.

#### **Other Litigation-Related Liability and Tax Administrative Matters**

Various legal actions, governmental investigations, claims and proceedings are pending against us including matters arising out of alleged product defects; employment-related matters; governmental regulations relating to safety, emissions and fuel economy; product warranties; financial services; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to ASC 740, "Income Taxes" (indirect tax-related matters) and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which we believe that losses are probable and can be reasonably estimated, the majority of which are associated with indirect tax-related matters as well as non-U.S. labor-related matters. Indirect tax-related matters are being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non-U.S. labor-related matters include claims from current and former employees related to alleged unpaid wage, benefit, severance and other compensation matters. Certain South American administrative proceedings are indirect tax-related and may require that we deposit funds in escrow. Escrow deposits may range from \$500 million to \$800 million. Some of the matters may involve compensatory, punitive or other treble damage claims, environmental remediation programs or sanctions that, if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at December 31, 2013. We believe that appropriate accruals have been established for such matters based on information currently available. Reserves for litigation losses are recorded in Accrued liabilities and Other liabilities and deferred income taxes. Litigation is inherently unpredictable however; and unfavorable resolutions could occur. Accordingly it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows in any particular reporting period.

#### ***GM Korea Wage Litigation***

Commencing on or about September 29, 2010 current and former hourly employees of GM Korea filed eight separate group actions in the Incheon District Court in Incheon, Korea. The cases, which in aggregate involve more than 10,000 employees, allege that GM Korea failed to include bonuses and certain allowances in its calculation of Ordinary Wages due under the Presidential Decree of the Korean Labor Standards Act. In November 2012 the Seoul High Court (an intermediate level appellate court) issued a decision affirming a decision of the Incheon District Court in a case involving five GM Korea employees which was contrary to GM Korea's position in all of these cases. GM Korea appealed to the Supreme Court of the Republic of Korea (Supreme Court) and initiated a constitutional challenge to the adverse interpretation of the relevant statute. At September 30, 2013 we had an accrual of 843 billion South Korean Won (equivalent to \$784 million) in connection with these cases. In December 2013, the Supreme Court rendered a decision in a case involving another company not affiliated with us which addressed many of the issues presented in the cases pending against GM Korea and resolved many of them in a manner which we believe is favorable to GM Korea. In particular, while the Supreme Court held that fixed bonuses should be included in the calculation of Ordinary Wages, it also held that claims for retroactive application of this rule would be barred under certain circumstances. We believe the Supreme Court's reasoning is applicable to GM Korea, even though GM Korea's case remains pending before the Supreme Court. Accordingly, we have eliminated the accrual associated with these cases. In the year ended December 31, 2013 we recorded a net reduction of our accrual of 746 billion South Korean Won (equivalent to \$711 million) to Automotive cost of sales (77% of which is reflected in our Net income attributable to stockholders based on our ownership interest in GM Korea). We estimate our reasonably possible loss, as defined by ASC 450, "Contingencies," to be 632 billion South Korean Won (equivalent to \$599 million) at December 31, 2013. We are also party to litigation with current and former salaried employees over allegations relating to Ordinary Wages regulation. Although the issues differ due to differences between hourly and salaried benefit design, we believe the latest decision of the Supreme Court also impacts

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

this litigation. At December 31, 2013 we have identified a reasonably possible loss in excess of the amount of our accrual of 165 billion South Korean Won (equivalent to \$156 million). Both the scope of claims asserted and GM Korea's assessment of any or all of the individual claim elements may change if new information becomes available.

#### *GMCL Dealers' Claim*

On February 12, 2010 a claim was filed in the Ontario Superior Court of Justice against GMCL on behalf of a purported class of over 200 former GMCL dealers (the Plaintiff Dealers) which had entered into wind-down agreements with GMCL. In May 2009 in the context of the global restructuring of the business and the possibility that GMCL might be required to initiate insolvency proceedings, GMCL offered the Plaintiff Dealers the wind-down agreements to assist with their exit from the GMCL dealer network and to facilitate winding down their operations in an orderly fashion by December 31, 2009 or such other date as GMCL approved but no later than on October 31, 2010. The Plaintiff Dealers allege that the Dealer Sales and Service Agreements were wrongly terminated by GMCL and that GMCL failed to comply with certain disclosure obligations, breached its statutory duty of fair dealing and unlawfully interfered with the Plaintiff Dealers' statutory right to associate in an attempt to coerce the Plaintiff Dealers into accepting the wind-down agreements. The Plaintiff Dealers seek damages and assert that the wind-down agreements are rescindable. The Plaintiff Dealers' initial pleading makes reference to a claim "not exceeding" Canadian Dollar \$750 million, without explanation of any specific measure of damages. On March 1, 2011 the court approved certification of a class for the purpose of deciding a number of specifically defined issues including: (1) whether GMCL breached its obligation of "good faith" in offering the wind-down agreements; (2) whether GMCL interfered with the Plaintiff Dealers' rights of free association; (3) whether GMCL was obligated to provide a disclosure statement and/or disclose more specific information regarding its restructuring plans in connection with proffering the wind-down agreements; and (4) assuming liability, whether the Plaintiff Dealers can recover damages in the aggregate (as opposed to proving individual damages). A number of former dealers have opted out of participation in the litigation, leaving 181 dealers in the certified class. Trial of the class issues is scheduled to occur in the third quarter of 2014. The current prospects for liability are uncertain, but because liability is not deemed probable we have no accrual relating to this litigation. We cannot estimate the range of reasonably possible loss in the event of liability as the case presents a variety of different legal theories, none of which GMCL believes are valid.

#### *UAW Claim*

On April 6, 2010 the UAW filed suit against us in the U.S. District Court for the Eastern District of Michigan claiming that we breached an obligation to contribute \$450 million to the UAW Retiree Medical Benefits Trust (New VEBA). The UAW alleges that we were contractually required to make this contribution. On December 10, 2013 the court granted our motion for summary judgment and dismissed the claims asserted by the UAW, holding that the relevant agreement is unambiguous and does not require the payment sought. The UAW has appealed. At this juncture, we believe the prospects for liability on the claims asserted in this matter are remote.

#### *Nova Scotia Claims Litigation*

We were a participating party-in-interest in proceedings pending in the U.S. Bankruptcy Court for the Southern District of New York to adjudicate claims in the Old GM bankruptcy arising from certain securities issued by General Motors Nova Scotia Finance Company (Nova Scotia Finance), an Old GM subsidiary which we did not acquire in 2009 (Nova Scotia Claims Litigation). Although the proceedings involved no claims against us, they presented issues which, depending upon their resolution, could have resulted in future claims against GMCL. In December 2013, pursuant to the agreement, GMCL paid \$50 million to, or as directed by, the Trustee of Nova Scotia Finance and we (including our subsidiaries and affiliates) were released from all claims relating to Nova Scotia Finance, the Nova Scotia Claims Litigation and the transactions at issue in the litigation.

#### **Product Liability**

With respect to product liability claims involving our and Old GM's products, we believe that any judgment against us for actual damages will be adequately covered by our recorded accruals and, where applicable, excess liability insurance coverage. Although

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

punitive damages are claimed in some of these lawsuits and such claims are inherently unpredictable, accruals incorporate historic experience with these types of claims. Liabilities have been recorded in Accrued liabilities and Other liabilities and deferred income taxes for the expected cost of all known product liability claims plus an estimate of the expected cost for product liability claims that have already been incurred and are expected to be filed in the future for which we are self-insured.

We indemnify dealers for certain product liability related claims including products sold by Old GM. We monitor actual claims experience and make periodic adjustments to our estimates. Based on both management's judgment concerning the projected number and value of both dealer indemnification obligations and product liability claims, we have applied actuarial methodologies and estimated the liability. We expect our product liability reserve to rise in future periods as new claims arise from incidents subsequent to July 9, 2009.

#### **Credit Card Programs**

Credit card programs offer rebates that can be applied primarily against the purchase or lease of our vehicles.

#### **Environmental Liability**

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. Liabilities have been recorded primarily in Other liabilities and deferred income taxes for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from five to 30 years.

The final outcome of environmental matters cannot be predicted with certainty at this time. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information obtained. In future periods new laws or regulations, advances in remediation technologies and additional information about the ultimate remediation methodology to be used could significantly change our estimates. It is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows. At December 31, 2013 we estimate the remediation losses could range from \$120 million to \$230 million.

#### **Other Matters**

##### ***Brazil Excise Tax Incentive***

In October 2012 the Brazilian government issued a decree which increased an excise tax rate by 30 percentage points, but also provided an offsetting tax incentive that requires participating companies to meet certain criteria, such as local investment and fuel efficiency standards. Participating companies that fail to meet the required criteria are subject to clawback provisions and fines. At December 31, 2013 we believe it is reasonably assured that the program requirements will be met based on the current business model and available technologies.

##### ***GME Planned Spending Guarantee***

As part of our Opel/Vauxhall restructuring plan agreed to with European labor representatives we have committed to achieving specified milestones associated with planned spending from 2011 to 2014 on certain product programs. If we fail to accomplish the requirements set out under the agreement we will be required to pay certain amounts up to Euro 265 million for each of those years, and/or interest on those amounts, to our employees. Certain inventory with a carrying amount of \$200 million and \$186 million at December 31, 2013 and 2012 was pledged as collateral under the agreement. Through December 31, 2013 spending was sufficient to meet the current requirements under the agreement and the specified milestones have been accomplished. Management has the intent and believes it has the ability to meet the future requirements under the agreement.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*India Tavera Emissions Compliance*

We have identified an emissions compliance issue with the Tavera produced in India. We have self-reported this issue to local government authorities and will cooperate with any review they may conduct. It is too early to determine the impact this issue will have on us or our Indian operations.

**Asset Retirement Obligations**

Asset retirement obligations relate to legal obligations associated with retirement of tangible long-lived assets that result from acquisition, construction, development or normal operation of a long-lived asset. An analysis is performed of such obligations associated with all real property owned or leased, including facilities, warehouses and offices. Estimates of conditional asset retirement obligations relate, in the case of owned properties, to costs estimated to be necessary for the legally required removal or remediation of various regulated materials, primarily asbestos. Asbestos abatement was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable. For leased properties such obligations relate to the estimated cost of contractually required property restoration. At December 31, 2013 and 2012 accruals for asset retirement obligations were \$159 million and \$116 million.

**Noncancelable Operating Leases**

The following table summarizes our minimum commitments under noncancelable operating leases having initial terms in excess of one year, primarily for property (dollars in millions):

	2014	2015	2016	2017	2018	Thereafter
Minimum commitments (a) . . . . .	\$ 363	\$ 290	\$ 225	\$ 156	\$ 132	\$ 499
Sublease income . . . . .	(52)	(58)	(60)	(59)	(56)	(293)
Net minimum commitments . . . . .	<u>\$ 311</u>	<u>\$ 232</u>	<u>\$ 165</u>	<u>\$ 97</u>	<u>\$ 76</u>	<u>\$ 206</u>

(a) Certain of the leases contain escalation clauses and renewal or purchase options.

Rental expense under operating leases was \$477 million, \$474 million and \$556 million in the years ended December 31, 2013, 2012 and 2011.

**Note 18. Income Taxes**

The following table summarizes income (loss) before income taxes and equity income and gain on investments (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
U.S. income (loss) . . . . .	\$ 4,880	\$(19,063)	\$ 2,883
Non-U.S. income (loss) . . . . .	768	(11,194)	3,102
Income (loss) before income taxes and equity income and gain on investments . . . . .	<u>\$ 5,648</u>	<u>\$(30,257)</u>	<u>\$ 5,985</u>



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Income Tax Expense (Benefit)**

The following table summarizes Income tax expense (benefit) (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
<b>Current income tax expense (benefit)</b>			
U.S. federal . . . . .	\$ (34)	\$ 6	\$(134)
U.S. state and local . . . . .	88	78	58
Non-U.S. . . . .	512	646	275
Total current income tax expense . . . . .	566	730	199
<b>Deferred income tax expense (benefit)</b>			
U.S. federal . . . . .	1,049	(28,965)	8
U.S. state and local . . . . .	137	(3,415)	(28)
Non-U.S. . . . .	375	(3,181)	(289)
Total deferred income tax expense (benefit) . . . . .	1,561	(35,561)	(309)
Total income tax expense (benefit) . . . . .	<u>\$ 2,127</u>	<u>\$(34,831)</u>	<u>\$(110)</u>

Provisions are made for estimated U.S. and non-U.S. income taxes, less available tax credits and deductions, which may be incurred on the remittance of our basis differences in investments in foreign subsidiaries and corporate joint ventures not deemed to be indefinitely reinvested. Taxes have not been provided on basis differences in investments primarily as a result of earnings in foreign subsidiaries and corporate joint ventures which are deemed indefinitely reinvested of \$2.6 billion and \$1.4 billion at December 31, 2013 and 2012. Additional basis differences in investments in nonconsolidated China JVs exist of \$4.1 billion at December 31, 2013 and 2012 primarily related to fresh-start reporting. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested basis differences is not practicable.

The following table summarizes a reconciliation of Income tax expense (benefit) compared with the amounts at the U.S. federal statutory rate (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Income tax expense (benefit) at U.S. federal statutory income tax rate . . . . .	\$ 1,977	\$(10,590)	\$ 2,094
State and local tax expense . . . . .	145	254	215
Non-U.S. income taxed at other than 35% . . . . .	(168)	908	(172)
Foreign tax credit election change . . . . .	—	(1,075)	—
U.S. tax on Non-U.S. income . . . . .	543	713	(122)
Change in valuation allowance . . . . .	182	(33,917)	(2,386)
Change in tax laws . . . . .	146	67	(33)
Research incentives . . . . .	(490)	(68)	(45)
Gain on sale of New Delphi equity interests . . . . .	—	—	599
Goodwill impairment . . . . .	124	8,705	377
Settlements of prior year tax matters . . . . .	(473)	—	(56)
VEBA contribution . . . . .	—	—	(476)
Foreign currency remeasurement . . . . .	(21)	(36)	59
Pension contribution . . . . .	—	—	(127)
U.S. salaried pension plan settlement . . . . .	—	541	—
Other adjustments . . . . .	162	(333)	(37)
Total income tax expense (benefit) . . . . .	<u>\$ 2,127</u>	<u>\$(34,831)</u>	<u>\$ (110)</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Deferred Income Tax Assets and Liabilities**

Deferred income tax assets and liabilities at December 31, 2013 and 2012 reflect the effect of temporary differences between amounts of assets, liabilities and equity for financial reporting purposes and the bases of such assets, liabilities and equity as measured by tax laws, as well as tax loss and tax credit carryforwards. The following table summarizes the components of temporary differences and carryforwards that give rise to deferred tax assets and liabilities (dollars in millions):

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
<b>Deferred tax assets</b>		
Postretirement benefits other than pensions .....	\$ 2,902	\$ 3,494
Pension and other employee benefit plans .....	5,469	8,536
Warranties, dealer and customer allowances, claims and discounts .....	4,282	4,277
Property, plants and equipment .....	2,464	2,225
Capitalized research expenditures .....	7,179	6,106
Operating loss and tax credit carryforwards (a) .....	19,342	20,220
Miscellaneous .....	1,663	3,443
Total deferred tax assets before valuation allowances .....	43,301	48,301
Less: valuation allowances .....	(10,823)	(10,991)
Total deferred tax assets .....	32,478	37,310
<b>Deferred tax liabilities</b>		
Intangible assets .....	397	724
Net deferred tax assets .....	<u>\$ 32,081</u>	<u>\$ 36,586</u>

(a) Includes operating loss and tax credit carryforwards of \$16.3 billion expiring through 2033 and \$3.0 billion that may be carried forward indefinitely at December 31, 2013.

At December 31, 2013 we retained valuation allowances of \$10.8 billion against deferred tax assets primarily in GME and South Korea business units with losses and in the U.S. and Canada related primarily to capital loss tax attributes and state operating loss carryforwards.

At December 31, 2012 as a result of sustained profitability in the U.S. and Canada evidenced by three years of earnings and the completion of our near- and medium-term business plans in the three months ended December 31, 2012 that forecast continuing profitability, we determined it was more likely than not future earnings will be sufficient to realize deferred tax assets in these two jurisdictions. Accordingly we reversed most of the U.S. and Canadian valuation allowances resulting in non-cash income tax benefits of \$33.2 billion and \$3.1 billion.

At December 31, 2011 as a result of sustained profitability in Australia, we released the valuation allowance against deferred tax assets. The reduction in the valuation allowance resulted in a non-cash income tax benefit of \$502 million. In Australia we have net operating loss carryforwards which are subject to meeting a “Same Business Test” requirement that we assess on a quarterly basis. At December 31, 2013 as a result of our plans to cease vehicle and engine manufacturing at Holden, we determined that it was more likely than not Holden would not realize a portion of the deferred tax assets and recorded a valuation allowance in the amount of \$133 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Uncertain Tax Positions**

The following table summarizes activity of the total amounts of unrecognized tax benefits (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Beginning balance	\$ 2,745	\$ 2,370	\$ 5,169
Additions to current year tax positions	251	112	129
Additions to prior years' tax positions	276	512	562
Reductions to prior years' tax positions	(535)	(141)	(1,002)
Reductions in tax positions due to lapse of statutory limitations	(73)	(34)	(64)
Settlements	(132)	(112)	(2,399)
Other	(2)	38	(25)
Ending balance	<u>\$ 2,530</u>	<u>\$ 2,745</u>	<u>\$ 2,370</u>

At December 31, 2013 and 2012 there are \$1.5 billion and \$1.2 billion of unrecognized tax benefits that if recognized would favorably affect our effective tax rate in the future. In the years ended December 31, 2013, 2012 and 2011 we recorded income tax related interest expense (benefit) and penalties of \$(25) million, \$44 million and \$(145) million. The interest and penalty benefit in the year ended December 31, 2011 was due primarily to remeasurements, settlements and statute expirations. At December 31, 2013 and 2012 we had liabilities of \$286 million and \$222 million for income tax related interest and penalties.

In November 2013 we remeasured a previously disclosed uncertain tax position and recorded a \$473 million tax benefit that increased net operating loss carryforwards, reducing future taxable income.

In the year ended December 31, 2011 certain issues were resolved relating to uncertain tax positions in jurisdictions which had full valuation allowances. The resolution of these matters resulted in a \$2.7 billion reduction to gross uncertain positions. No tax benefit was recognized with respect to these reductions because the entities were in full valuation allowance jurisdictions or the amounts were reserved in a prior period.

At December 31, 2013 it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits in the next twelve months.

**Other Matters**

Income tax returns are filed in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. We have open tax years from 2005 to 2013 with various significant tax jurisdictions. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. Given the global nature of our operations there is a risk that transfer pricing disputes may arise.

We have net operating loss carryforwards in Germany through November 30, 2009 that, as a result of reorganizations that took place in 2008 and 2009, were not recorded as deferred tax assets. Depending on the outcome of European court decisions these loss carryforwards may be available to reduce future taxable income in Germany.

In June 2011 we settled a Brazilian income tax matter for \$241 million that was reserved and disclosed in a prior period.

In the U.S. we have continuing responsibility for Old GM's open tax years. Old GM was liquidated on December 15, 2011. The Internal Revenue Service has audited the returns through the liquidation date and, in January 2014, the audit of these returns was closed. The reduction to the amount of unrecognized tax benefits is not expected to be significant. In January 2013 the U.S. Congress enacted federal income tax legislation including an extension of the research credit for tax years 2012 and 2013. As a result, in the year ended December 31, 2013 we recorded an income tax benefit related to the 2012 research credit of approximately \$200 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 19. Restructuring and Other Initiatives**

We have previously executed various restructuring and other initiatives and we plan to execute additional initiatives in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities. To the extent these programs involve voluntary separations, no liabilities are generally recorded until offers to employees are accepted. If employees are involuntarily terminated, a liability is generally recorded at the communication date. Related charges are recorded in Automotive cost of sales and Automotive selling, general and administrative expense.

The following table summarizes the reserves related to restructuring and other initiatives and charges by segment, including postemployment benefit reserves and charges (dollars in millions):

	GMNA	GME	GMIO	GMSA	Total
Balance at January 1, 2011 (a)	\$ 1,135	\$ 664	\$ 3	\$ —	\$ 1,802
Additions, interest accretion and other	104	449	—	81	634
Payments	(366)	(395)	(2)	(68)	(831)
Revisions to estimates	19	(9)	—	—	10
Effect of foreign currency	(8)	(22)	—	(1)	(31)
Balance at December 31, 2011 (a)	884	687	1	12	1,584
Additions, interest accretion and other	140	254	84	92	570
Payments	(304)	(344)	(46)	(55)	(749)
Revisions to estimates	(78)	(17)	(1)	(11)	(107)
Effect of foreign currency	11	10	1	—	22
Balance at December 31, 2012 (a)	653	590	39	38	1,320
Additions, interest accretion and other	58	202	404	50	714
Payments	(182)	(299)	(111)	(68)	(660)
Revisions to estimates	(16)	(9)	(3)	(1)	(29)
Effect of foreign currency	(16)	19	4	(3)	4
Balance at December 31, 2013 (a)	\$ 497	\$ 503	\$ 333	\$ 16	\$ 1,349

(a) The remaining cash payments related to these reserves for restructuring and other initiatives, including temporary layoff benefits of \$353 million, \$356 million and \$376 million at December 31, 2013, 2012 and 2011 for GMNA, primarily relate to postemployment benefits to be paid.

**Year Ended December 31, 2013**

GMNA recorded charges, interest accretion and other and revisions to estimates primarily related to cash severance incentive programs for skilled trade U.S. hourly employees and service cost for hourly layoff benefits. Due to the expected closure of the Oshawa Consolidated Plant in December 2016, affected employees will be eligible for a voluntary restructuring separation incentive program in accordance with the existing collective bargaining agreement that provides cash and a car voucher. During 2013 some of the affected employees separated and the related costs were recorded.

GME recorded charges, interest accretion and other and revisions to estimates primarily related to our plan to terminate all vehicle and transmission production at our Bochum, Germany facility by the end of 2014. Through December 31, 2013 the active separation programs related to Germany had a total cost of \$194 million and had affected a total of 450 employees. We expect to complete these programs in 2014 and incur additional charges of \$650 million, which will affect an additional 3,300 employees.

GMIO recorded charges, interest accretion and other and revisions to estimates for separation programs in Australia and Korea and programs related to the withdrawal of the Chevrolet brand from Europe described below. Through December 31, 2013 the active



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

separation programs in GMIO had a total cost of \$420 million and had affected a total of 4,100 employees. We expect to complete these programs in 2017 and incur additional restructuring and other charges of \$640 million.

GMSA recorded charges for active separation programs in Brazil. Through December 31, 2013 the active separation programs related to Brazil had a total cost of \$103 million.

#### *Year Ended December 31, 2012*

GMNA recorded charges, interest accretion and other and revisions to estimates related to our 2011 UAW labor agreement and increased production capacity utilization in Canada. Our 2011 UAW labor agreement included cash severance incentive programs which were completed at March 31, 2012 for skilled trade U.S. hourly employees. A total of 1,400 skilled trade U.S. hourly employees participated in these programs at a total cost of \$99 million which was recorded upon irrevocable acceptances by both parties. Substantially all of the program cost was recorded in the three months ended March 31, 2012.

GME recorded charges, interest accretion and other and revisions to estimates for previously announced separation and early retirement programs. Through December 31, 2012 the active separation programs related to Germany and the United Kingdom had a total cost of \$400 million and had affected a total of 2,550 employees, of which \$310 million related to a program initiated in Germany in 2010.

GMIO recorded charges, interest accretion and other related to voluntary separation programs primarily in Korea and Australia. Through December 31, 2012 these programs had a total cost of \$69 million which affected 650 employees.

GMSA recorded charges of \$87 million for employee separation costs related to a separation program in Brazil.

#### *Year Ended December 31, 2011*

GMNA recorded charges, interest accretion and other primarily related to special attrition programs for skilled trade U.S. hourly employees, service cost for hourly layoff benefits and Canadian restructuring activities.

GME recorded charges, interest accretion and other for separation programs primarily related to previously announced programs in Germany. Through December 31, 2011 these programs had a total cost of \$1.1 billion and affected a total of 6,700 employees and included the December 2010 closure of the Antwerp, Belgium facility.

GMSA recorded charges, interest accretion and other for separation programs primarily related to the voluntary separation program in Brazil implemented in the three months ended December 31, 2011. A total of 900 employees in Brazil participated in the separation program at a total cost of \$74 million.

#### **Withdrawal of the Chevrolet Brand from Europe**

In December 2013 we announced our plans to focus our marketing and product portfolio on our Opel and Vauxhall brands in Western and Central Europe and cease mainstream distribution of Chevrolet brand in those markets in 2015. This decision impacts 1,200 Chevrolet dealers and distributors in the affected countries and 480 Chevrolet Europe employees. In the three months ended December 31, 2013 we recorded pre-tax charges of \$636 million, net of noncontrolling interests of \$124 million. These charges included dealer restructuring costs of \$233 million and employee severance costs of \$30 million which are reflected in the table above. The remaining charges for intangible asset impairments of \$264 million and sales incentive, inventory related and other costs of \$233 million are not included in the table above. We may incur additional charges for exit costs of up to \$300 million primarily through the first half of 2014. Refer to Note 11 for additional information on the intangible asset impairment charges.

#### **Manufacturing Operations at Holden**

In December 2013 we announced plans to cease vehicle and engine manufacturing and significantly reduce engineering operations at Holden by the end of 2017. Holden will continue to sell imported vehicles through its Holden dealer network and maintain its

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

global design studio. This decision affects 2,900 employees from the Elizabeth vehicle manufacturing plant and Holden's Victorian workforce. In the three months ended December 31, 2013 we recorded pre-tax charges of \$536 million in Automotive cost of sales consisting primarily of asset impairment charges of \$477 million, including property, plant and equipment, which are not included in the table above. The remaining charges relate to exit-related costs, including certain employee severance related costs, of \$59 million which are included in the table above. We expect to incur additional charges through 2017 for incremental future cash payments of employee severance once negotiations of the amount are completed. Refer to Note 9 for additional information on the property, plant and equipment impairment charges.

**Note 20. Interest Income and Other Non-Operating Income, net**

The following table summarizes the components of Interest income and other non-operating income, net (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Interest income	\$ 246	\$ 343	\$ 455
Net gains (losses) on derivatives	(13)	(63)	41
Dividends and royalties	97	98	153
Foreign currency transaction and translation gains (losses)	(154)	16	(48)
Gains (losses) on securities and other investments — realized and unrealized	691	(193)	(9)
Deferred income from technology agreements	100	114	113
Other	96	530	146
Total interest income and other non-operating income, net	<u>\$ 1,063</u>	<u>\$ 845</u>	<u>\$ 851</u>

**Note 21. Stockholders' Equity and Noncontrolling Interests**

**Preferred and Common Stock**

We have 2.0 billion shares of preferred stock and 5.0 billion shares of common stock authorized for issuance. We had 156 million and 276 million shares of Series A Preferred Stock issued and outstanding at December 31, 2013 and 2012. There were no shares of Series B Preferred Stock issued and outstanding at December 31, 2013 and 100 million shares issued and outstanding at December 31, 2012. We had 1.5 billion and 1.4 billion shares of common stock issued and outstanding at December 31, 2013 and 2012.

**Preferred Stock**

The following table summarizes significant features relating to our preferred stock (dollars in millions, except for per share amounts):

	Liquidation Preference Per Share	Dividend Rate Per Annum	Dividends Paid Years Ended December 31,		
			2013	2012	2011
Series A Preferred Stock	\$ 25.00	9.00%	\$ 1,370	\$ 621	\$ 621
Series B Preferred Stock	\$ 50.00	4.75%	\$ 237	\$ 238	\$ 243

**Series A Preferred Stock**

The Series A Preferred Stock ranks senior with respect to liquidation preference and dividend rights to our common stock and Series B Preferred Stock and any other class or series of stock that we may issue. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, a holder of Series A Preferred Stock will be entitled to be paid, before any distribution or payment may be made to any holders of common stock or other series of stock, the liquidation amount and the amount

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of any accrued and unpaid dividends, if any, whether or not declared, prior to such distribution or payment date. On or after December 31, 2014, the Series A Preferred Stock may be redeemed, in whole or in part, for cash at a price per share equal to the \$25.00 per share liquidation amount, plus any accrued and unpaid dividends. Upon a redemption or purchase of any or all Series A Preferred Stock, the difference, if any, between the recorded amount of the Series A Preferred Stock being redeemed or purchased and the consideration paid would be recorded as a charge to Net income attributable to common stockholders.

In September 2013 we purchased 120 million shares (or 43.5% of the total shares outstanding) of our Series A Preferred Stock held by the New VEBA at a price equal to 108.1% of the aggregate liquidation amount for \$3.2 billion. We recorded a loss for the difference between the carrying amount of the Series A Preferred Stock purchased and the consideration paid, which reduced Net income attributable to common stockholders by \$816 million. If all of the remaining Series A Preferred Stock were redeemed or purchased at its par value, Net income available to common stockholders would be reduced by a charge of \$800 million.

#### *Series B Preferred Stock*

On December 1, 2013 each of the 100 million shares of our Series B Preferred Stock outstanding automatically converted into 1.3736 shares of our common stock for a total of 137 million common shares. The number of shares of our common stock issued upon mandatory conversion of each share of Series B Preferred Stock was determined based on the average of the closing prices of our common stock over the 40 consecutive trading day period ended November 26, 2013.

#### *Common Stock*

Holders of our common stock are entitled to dividends at the sole discretion of our Board of Directors. However, the terms of the Series A Preferred Stock prohibit, subject to exceptions, the payment of dividends on our common stock unless all accrued and unpaid dividends on the Series A Preferred Stock are paid in full. Holders of common stock are entitled to one vote per share on all matters submitted to our stockholders for a vote. The liquidation rights of holders of our common stock are secondary to the payment or provision for payment of all our debts and liabilities and to holders of our Series A Preferred Stock, if any such shares are then outstanding.

In December 2012 we purchased 200 million shares of our common stock from the UST at a price of \$27.50 per share for a total of \$5.5 billion. The purchase price represented a premium to the prior day's closing price of \$25.49. We allocated the purchase price between a direct reduction to shareholder's equity of \$5.1 billion and a charge to Automotive selling, general and administrative expense of \$402 million representing the premium. These shares were retired and returned to authorized but unissued status. In the year ended December 31, 2012 we issued 1.3 million shares of common stock for the settlement of restricted stock and salary stock awards and 400,000 shares for exercised warrants. Refer to Note 23 for additional information on our stock incentive plans.

#### *Warrants*

In connection with the 363 Sale we issued two tranches of warrants, each to acquire 136 million shares of common stock, to MLC which have all been distributed to creditors of Old GM and to the GUC Trust by MLC and one tranche of warrants to acquire 46 million shares of common stock to the New VEBA. The first tranche of MLC warrants is exercisable at any time prior to July 10, 2016 at an exercise price of \$10.00 per share and the second tranche of MLC warrants is exercisable at any time prior to July 10, 2019 at an exercise price of \$18.33 per share. The New VEBA warrants, which were subsequently sold by the New VEBA, are exercisable at any time prior to December 31, 2015 at an exercise price of \$42.31 per share. Upon exercise of the warrants, the shares issued will be included in the number of basic shares outstanding used in the computation of earnings per share. The number of shares of common stock underlying each of the warrants and the per share exercise price are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends. The outstanding balance of warrants was 293 million and 313 million at December 31, 2013 and 2012.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accumulated Other Comprehensive Loss

The following table summarizes the components of Accumulated other comprehensive loss (dollars in millions):

	Years Ended December 31,								
	2013			2012			2011		
	Pre-tax Amount	Tax Expense (Benefit)	Net Amount	Pre-tax Amount	Tax Expense (Benefit)	Net Amount	Pre-tax Amount	Tax Expense (Benefit)	Net Amount
<b>Foreign currency translation adjustments</b>									
Balance at beginning of period	\$ 112	\$ 11	\$ 101	\$ 226	\$ 11	\$ 215	\$ 405	\$ 11	\$ 394
Other comprehensive income (loss)	(722)	11	(733)	(103)	—	(103)	(183)	—	(183)
Purchase of noncontrolling interest shares	—	—	—	—	—	—	(6)	—	(6)
Other comprehensive income (loss) attributable to noncontrolling interests	18	—	18	(11)	—	(11)	10	—	10
Balance at end of period	\$ (592)	\$ 22	\$ (614)	\$ 112	\$ 11	\$ 101	\$ 226	\$ 11	\$ 215
<b>Cash flow hedging gains (losses), net</b>									
Balance at beginning of period	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ 2	\$ (23)	\$ —	\$ (23)
Other comprehensive income before reclassification adjustment	—	—	—	—	—	—	25	—	25
Reclassification adjustment	—	—	—	(2)	—	(2)	—	—	—
Other comprehensive income (loss)	—	—	—	(2)	—	(2)	25	—	25
Balance at end of period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ 2
<b>Unrealized gain (loss) on securities, net</b>									
Balance at beginning of period	\$ 63	\$ 22	\$ 41	\$ 1	\$ 5	\$ (4)	\$ —	\$ 5	\$ (5)
Other comprehensive income (loss) before reclassification adjustment	133	(6)	139	(140)	22	(162)	1	—	1
Reclassification adjustment	(185)	(7)	(178)	202	(5)	207	—	—	—
Other comprehensive income (loss)	(52)	(13)	(39)	62	17	45	1	—	1
Balance at end of period	\$ 11	\$ 9	\$ 2	\$ 63	\$ 22	\$ 41	\$ 1	\$ 5	\$ (4)
<b>Defined benefit plans, net</b>									
Balance at beginning of period	\$ (7,794)	\$ 400	\$ (8,194)	\$ (4,665)	\$ 1,409	\$ (6,074)	\$ 2,298	\$ 1,413	\$ 885
Other comprehensive income before reclassification adjustment — prior service cost (credit)	6	(4)	10	(53)	(95)	42	302	1	301
Other comprehensive income (loss) before reclassification adjustment — actuarial gain (loss)	8,673	3,091	5,582	(3,180)	(926)	(2,254)	(7,578)	(10)	(7,568)
Reclassification adjustment — prior service cost (credit) (a)	(128)	(44)	(84)	(125)	(5)	(120)	(52)	—	(52)
Reclassification adjustment — actuarial gain (loss) (a)	178	(7)	185	229	17	212	366	5	361
Other comprehensive income (loss)	8,729	3,036	5,693	(3,129)	(1,009)	(2,120)	(6,962)	(4)	(6,958)
Purchase of noncontrolling interest shares	—	—	—	—	—	—	(1)	—	(1)
Balance at end of period	\$ 935	\$ 3,436	\$ (2,501)	\$ (7,794)	\$ 400	\$ (8,194)	\$ (4,665)	\$ 1,409	\$ (6,074)
<b>Accumulated Other Comprehensive Loss</b>									
Balance at beginning of period	\$ (7,619)	\$ 433	\$ (8,052)	\$ (4,436)	\$ 1,425	\$ (5,861)	\$ 2,680	\$ 1,429	\$ 1,251
Other comprehensive income (loss) before reclassification adjustment	8,090	3,092	4,998	(3,476)	(999)	(2,477)	(7,433)	(9)	(7,424)
Reclassification adjustment	(135)	(58)	(77)	304	7	297	314	5	309
Other comprehensive income (loss)	7,955	3,034	4,921	(3,172)	(992)	(2,180)	(7,119)	(4)	(7,115)
Purchase of noncontrolling interest shares	—	—	—	—	—	—	(7)	—	(7)
Other comprehensive income (loss) attributable to noncontrolling interests	18	—	18	(11)	—	(11)	10	—	10
Balance at end of period	\$ 354	\$ 3,467	\$ (3,113)	\$ (7,619)	\$ 433	\$ (8,052)	\$ (4,436)	\$ 1,425	\$ (5,861)

(a) Included in the computation of net periodic pension and OPEB (income) expense. Refer to Note 15 for additional information.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 22. Earnings Per Share**

Basic and diluted earnings per share are computed by dividing Net income attributable to common stockholders by the weighted-average common shares outstanding in the period. Diluted earnings per share is computed by giving effect to all potentially dilutive securities that are outstanding.

The following table summarizes basic and diluted earnings per share (in millions, except for per share amounts):

	Years Ended December 31,		
	2013	2012	2011
<b>Basic earnings per share</b>			
Net income attributable to stockholders	\$ 5,346	\$ 6,188	\$ 9,190
Less: cumulative dividends on preferred stock and charge related to purchase of preferred stock (a)	(1,576)	(859)	(859)
Less: undistributed earnings allocated to Series B Preferred Stock participating security	—	(470)	(746)
Net income attributable to common stockholders	<u>\$ 3,770</u>	<u>\$ 4,859</u>	<u>\$ 7,585</u>
<b>Weighted-average common shares outstanding — basic</b>	1,393	1,566	1,536
Basic earnings per common share	<u>\$ 2.71</u>	<u>\$ 3.10</u>	<u>\$ 4.94</u>
<b>Diluted earnings per share</b>			
Net income attributable to stockholders	\$ 5,346	\$ 6,188	\$ 9,190
Add: preferred dividends to holders of Series B Preferred Stock	218	—	—
Less: cumulative dividends on preferred stock and charge related to purchase of preferred stock (a)	(1,576)	(859)	(859)
Less: undistributed earnings allocated to Series B Preferred Stock participating security	—	(442)	(693)
Net income attributable to common stockholders	<u>\$ 3,988</u>	<u>\$ 4,887</u>	<u>\$ 7,638</u>
<b>Weighted-average common shares outstanding — diluted</b>			
Weighted-average common shares outstanding — basic	1,393	1,566	1,536
Dilutive effect of warrants	146	104	130
Dilutive effect of conversion of Series B Preferred Stock	134	—	—
Dilutive effect of RSUs	<u>3</u>	<u>5</u>	<u>2</u>
Weighted-average common shares outstanding — diluted	<u>1,676</u>	<u>1,675</u>	<u>1,668</u>
Diluted earnings per common share	<u>\$ 2.38</u>	<u>\$ 2.92</u>	<u>\$ 4.58</u>

(a) Includes earned but undeclared dividends of \$15 million, \$26 million and \$26 million on our Series A Preferred Stock in the years ended December 31, 2013, 2012 and 2011 and \$20 million on our Series B Preferred Stock in the years ended December 31, 2012 and 2011.

Holders of the Series B Preferred Stock had a right to participate in our undistributed earnings because a dividend, if declared, would result in a transfer of value to the holder through an adjustment to the fixed conversion ratios through various anti-dilution provisions. Based on the nature of the Series B Preferred Stock and the nature of these anti-dilution provisions, we concluded that the Series B Preferred Stock was a participating security and, as such, requires the application of the more dilutive of the two-class or if-converted method to calculate earnings per share when the applicable market value of our common stock is below or above the range of \$33.00 to \$39.60 per common share. For purposes of calculating earnings per share, the applicable market value is calculated as the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the date of our mandatory conversion in 2013 or the date of our financial statements for 2012 and 2011. The calculation of the applicable market value is applied to the full year, irrespective of the applicable market value computed during the prior quarters of the current year.

On the mandatory conversion date of our Series B Preferred Stock, December 1, 2013, the applicable market value of our common stock was within the range of \$33.00 to \$39.60 per common share and, as such, we applied the if-converted method for purposes of



## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

calculating diluted earnings per share in the year ended December 31, 2013. In the years ended December 31, 2012 and 2011, we were required to use the two-class method for calculating earnings per share as the applicable market value of our common stock was below \$33.00 per common share. Under the two-class method for computing earnings per share, undistributed earnings are allocated to common stock and the Series B Preferred Stock according to their respective participation rights in undistributed earnings, as if all the earnings for the period had been distributed. This allocation to the Series B Preferred Stock holders reduced Net income attributable to common stockholders, resulting in a lower basic and dilutive earnings per share amount. The impact on diluted earnings per share was an increase of \$0.13 in the year ended December 31, 2013 using the if-converted as compared to the two-class method. Our calculation of earnings per share varied from period to period depending on whether the two-class or if-converted method was required.

The application of the two-class method resulted in an allocation of undistributed earnings to our Series B Preferred Stock holders and, accordingly, 152 million common stock equivalents from the assumed conversion of the Series B Preferred Stock are not considered outstanding for purposes of determining the weighted-average common shares outstanding in the computation of diluted earnings per share for December 31, 2012 and 2011.

In the years ended December 31, 2013, 2012 and 2011 warrants to purchase 46 million shares were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market price of the common shares.

#### Note 23. Stock Incentive Plans

Our stock incentive plans consist of the 2009 Long-Term Incentive Plan and the Salary Stock Plan. Both plans are administered by the Executive Compensation Committee of our Board of Directors. The aggregate number of shares with respect to which awards may be granted under these amended plans shall not exceed 75 million.

##### *Long-Term Incentive Plan*

We granted 7 million, 7 million and 5 million RSUs in the years ended December 31, 2013, 2012 and 2011. These awards granted either cliff vest or ratably vest generally over a three-year service period, as defined in the terms of each award. Our policy is to issue new shares upon settlement of RSUs.

The 2013 awards granted to the Top 25 highest compensated employees will settle on the second and third anniversary dates of grant in 25% increments consistent with the terms of the 2009 Long-Term Incentive Plan. The awards for the Next 75 highest compensated employees will settle on the second and third anniversary dates of grant. The awards for the non-Top 100 highest compensated employees will settle on the first, second and third anniversary dates of grant. Vesting and subsequent settlement will generally occur based upon employment at the end of each specified service period.

The 2012 awards granted to the Top 25 highest compensated employees will settle on the second and third anniversary dates of grant in 25% increments consistent with the terms of the 2009 Long-Term Incentive Plan. The awards for the non-Top 25 highest compensated employees will vest and settle on the second and third anniversary dates of grant. Vesting and subsequent settlement will generally occur based upon employment at the end of each specified service period.

The 2011 awards granted to the Top 25 highest compensated employees will settle three years from the grant date in 25% increments consistent with the terms of the 2009 Long-Term Incentive Plan. The awards for the Next 75 highest compensated employees will settle either: (1) three years from the date of grant; or (2) on the first and third anniversary dates of grant. The awards to the non-Top 100 highest compensated employees will settle on the first, second and third anniversary dates of grant. Vesting and subsequent settlement will generally occur based upon employment at the end of each specified service period.

Retirement eligible participants that are non-Top 100 highest compensated employees who retire in the first twelve months following the grant will retain and vest a pro-rata portion of RSUs earned and those who retire after the first anniversary of the grant will retain and vest the full RSU grant. The vested award will be payable on the settlement date.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The plan was amended in January 2014 to provide cash payment, on a going forward basis, of dividend equivalents upon settlement to active employees and certain former employees with outstanding awards as of the amendment date.

*Salary Stock Plan*

In the years ended December 31, 2013, 2012 and 2011 a portion of each participant's salary was accrued on each salary payment date and converted to RSUs on a quarterly basis. In March 2012 we amended the plan to provide for cash settlement of awards and reclassified \$97 million from Additional paid-in capital to Accrued liabilities and Other liabilities and deferred income taxes. Prior to this amendment it was our policy to issue new shares upon settlement of these awards. In June 2013 we amended the plan to provide for cash or share settlement of awards based on election by the participant. The plan was amended in January 2014 to provide cash payment, on a going forward basis, of dividend equivalents upon settlement to active employees with outstanding awards as of the amendment date. The liability for these awards continues to be remeasured to fair value at the end of each reporting period.

*RSUs*

The following table summarizes information about the RSUs under our stock incentive plans (RSUs in millions):

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term in Years
RSUs outstanding at January 1, 2013	26.9	\$ 23.06	0.7
Granted	8.9	\$ 29.05	
Settled	(16.0)	\$ 20.60	
Forfeited or expired	(1.2)	\$ 27.20	
RSUs outstanding at December 31, 2013	18.6	\$ 27.76	1.2
RSUs unvested and expected to vest at December 31, 2013	9.2	\$ 27.94	1.6
RSUs vested and payable at December 31, 2013	8.8	\$ 27.61	—
RSUs granted in the year ended December 31, 2012		\$ 25.10	
RSUs granted in the year ended December 31, 2011		\$ 31.18	

The following table summarizes compensation expense recorded for our stock incentive plans (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Compensation expense	\$ 311	\$ 302	\$ 233
Income tax benefit	\$ 100	\$ 100	\$ —

At December 31, 2013 the total unrecognized compensation expense for nonvested equity awards granted was \$149 million. This expense is expected to be recorded over a weighted-average period of 1.6 years. The total fair value of RSUs vested in the years ended December 31, 2013, 2012 and 2011 was \$342 million, \$141 million and \$105 million. In the years ended December 31, 2013, 2012 and 2011 total payments for 3.1 million, 1.6 million and 456,000 RSUs settled under stock incentive plans were \$94 million, \$36 million and \$14 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Note 24. Supplementary Quarterly Financial Information (Unaudited)**

The following tables summarize supplementary quarterly financial information (dollars in millions, except per share amounts):

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
<b>2013</b>				
Total net sales and revenue . . . . .	\$ 36,884	\$ 39,075	\$ 38,983	\$ 40,485
Automotive gross margin . . . . .	\$ 3,727	\$ 4,416	\$ 4,954	\$ 4,070
Net income . . . . .	\$ 1,185	\$ 1,388	\$ 1,705	\$ 1,053
Net income attributable to stockholders . . . . .	\$ 1,175	\$ 1,414	\$ 1,717	\$ 1,040
Earnings per share, basic . . . . .	\$ 0.63	\$ 0.87	\$ 0.50	\$ 0.64
Earnings per share, diluted . . . . .	\$ 0.58	\$ 0.75	\$ 0.45	\$ 0.57
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
<b>2012</b>				
Total net sales and revenue . . . . .	\$ 37,759	\$ 37,614	\$ 37,576	\$ 39,307
Automotive gross margin . . . . .	\$ 4,418	\$ 4,449	\$ 4,327	\$ (3,135)
Net income . . . . .	\$ 1,350	\$ 1,901	\$ 1,854	\$ 1,031
Net income attributable to stockholders . . . . .	\$ 1,315	\$ 1,846	\$ 1,833	\$ 1,194
Earnings per share, basic . . . . .	\$ 0.64	\$ 0.95	\$ 0.94	\$ 0.58
Earnings per share, diluted . . . . .	\$ 0.60	\$ 0.90	\$ 0.89	\$ 0.54

Prior to the three months ended June 30, 2013 we used the two-class method for calculating earnings per share because Series B Preferred Stock was a participating security.

The three months ended December 31, 2013 included the following on a pre-tax (except tax matters) and pre-noncontrolling interests basis:

- Benefit from the release of GM Korea wage litigation accruals of \$846 million in GMIO.
- Property and intangible asset impairment charges of \$805 million at Holden and GM India in GMIO.
- Charges of \$745 million related to our plans to cease mainstream distribution of Chevrolet brand in Europe in GMIO.
- Gain on sale of equity investment in Ally Financial of \$483 million in Corporate.
- Goodwill impairment charges of \$481 million in GMIO.
- Tax benefit of \$473 million from remeasurement of uncertain tax position in Corporate.
- Gain on sale of equity investment in PSA of \$152 million in GME.

The three months ended March 31, 2013 included the following on a pre-tax and pre-noncontrolling interests basis:

- Charge of \$162 million in GMSA for the Venezuela currency devaluation.

The three months ended December 31, 2012 included the following on a pre-tax and pre-noncontrolling interests basis:

- Deferred tax asset valuation allowance release of \$36.3 billion in the U.S. and Canada.
- Goodwill impairment charges of \$26.5 billion in GMNA and GMIO.
- Property, plant and equipment impairment charges of \$3.7 billion in GME.
- Pension settlement charge of \$2.6 billion in GMNA.

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Intangible asset impairment charges of \$1.8 billion in GME.
- Charge of \$525 million for GM Korea hourly wage litigation.
- Charge of \$402 million which represents the premium paid to purchase our common stock from the UST in Corporate.

The three months ended March 31, 2012 included the following on a pre-tax and pre-noncontrolling interests basis:

- Goodwill impairment charges of \$617 million in GMIO and GME.

#### Note 25. Segment Reporting

We analyze the results of our business through our five segments: GMNA, GME, GMIO, GMSA and GM Financial. The chief operating decision maker evaluates the operating results and performance of our automotive segments through Income (loss) before interest and income taxes, as adjusted for additional amounts, which are presented net of noncontrolling interests, and evaluates GM Financial through income before income taxes. Each segment has a manager responsible for executing our strategies. Our automotive manufacturing operations are integrated within the segments, benefit from broad-based trade agreements and are subject to regulatory requirements, such as Corporate Average Fuel Economy regulations. While not all vehicles within a segment are individually profitable on a fully allocated cost basis, those vehicles are needed in our product mix in order to attract customers to dealer showrooms and to maintain sales volumes for other, more profitable vehicles. Because of these and other factors, we do not manage our business on an individual brand or vehicle basis.

In the three months ended March 31, 2013 we changed our managerial and financial reporting structure to measure our reportable segments revenue and profitability based on the geographic area in which we sell vehicles to third party customers. We record certain transactions between our automotive and finance segments as intersegment activity and eliminate them in consolidation. The new reporting structure provides clearer profit and revenue visibility across geographic areas and identifies our profitability at the point of sale. Previously, it was based on the geographic area in which the vehicles originated and our managerial and financial reporting structure included intercompany sales and cost of sales in our segment results. Certain expenses such as engineering, warranty, recall campaigns and selling, general and administrative are allocated to the geographic area in which the vehicle is sold to third party customers. We have retrospectively revised the segment presentation for all periods presented.

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed through the network of dealers and in some cases sold directly to fleet customers. Retail and fleet customers can obtain a wide range of aftersale vehicle services and products through the dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the following four brands:

- Buick
- Cadillac
- Chevrolet
- GMC

The demands of customers outside of North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

- Buick
- Chevrolet
- Holden
- Vauxhall
- Cadillac
- GMC
- Opel

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At December 31, 2013 we also had equity ownership stakes directly or indirectly in entities through various regional subsidiaries, primarily in Asia that design, manufacture and market vehicles under the following brands:

- Alpheon
- Buick
- Chevrolet
- Wuling
- Baojun
- Cadillac
- Jiefang

All intersegment balances and transactions have been eliminated in consolidation.

The following tables summarize key financial information by segment (dollars in millions):

At and For the Year Ended December 31, 2013

	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
<b>Sales</b>										
External customers	\$ 95,091	\$ 20,110	\$ 20,263	\$ 16,478	\$ 150		\$ 152,092	\$ —	\$ —	\$ 152,092
GM Financial revenue	—	—	—	—	—		—	3,344	(9)	3,335
Intersegment	8	—	—	—	—		8	—	(8)	—
Total net sales and revenue	\$ 95,099	\$ 20,110	\$ 20,263	\$ 16,478	\$ 150		\$ 152,100	\$ 3,344	\$ (17)	\$ 155,427
Income (loss) before interest and taxes-adjusted	\$ 7,461	\$ (844)	\$ 1,230	\$ 327	\$ (494)		\$ 7,680	\$ 898	\$ —	\$ 8,578
Adjustments (a)	\$ (100)	\$ 153	\$ (1,169)	\$ (157)	\$ 483		\$ (790)	\$ (15)	\$ —	\$ (805)
Corporate interest income					249				\$ (3)	246
Automotive interest expense					338				\$ (4)	334
Loss on extinguishment of debt					212			—		212
Income (loss) before income taxes					(312)			883		7,473
Income tax expense					1,826			300	\$ 1	2,127
Net income (loss) attributable to stockholders					\$ (2,138)			\$ 583		\$ 5,346
Equity in net assets of nonconsolidated affiliates	\$ 74	\$ 7	\$ 8,009	\$ 4	\$ —	\$ —	\$ 8,094	\$ —	\$ —	\$ 8,094
Total assets	\$ 87,978	\$ 10,341	\$ 23,425	\$ 11,488	\$ 26,460	\$ (29,642)	\$ 130,050	\$ 38,084	\$ (1,790)	\$ 166,344
Expenditures for property	\$ 5,466	\$ 770	\$ 772	\$ 444	\$ 92	\$ 5	\$ 7,549	\$ 16	\$ —	\$ 7,565
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$ 4,216	\$ 406	\$ 1,806	\$ 522	\$ 63	\$ (1)	\$ 7,012	\$ 498	\$ (10)	\$ 7,500
Equity income and gain on investments	\$ 15	\$ —	\$ 1,794	\$ 1	\$ —	\$ —	\$ 1,810	\$ —	\$ —	\$ 1,810

- (a) Consists of pension settlement charges of \$56 million and charges related to PSA product development agreement of \$49 million in GMNA; gain on sale of equity investment in PSA of \$152 million in GME; property and intangible asset impairment charges of \$774 million, costs related to the withdrawal of the Chevrolet brand in Europe of \$621 million and goodwill impairment charges of \$442 million, partially offset by GM Korea hourly wage litigation of \$577 million and acquisition of GM Korea preferred shares of \$67 million in GMIO, all net of noncontrolling interests; Venezuela currency devaluation of \$162 million in GMSA; gain on sale of equity investment in Ally Financial of \$483 million in Corporate; costs related to the withdrawal of the Chevrolet brand in Europe of \$15 million in GM Financial; and income related to various insurance recoveries of \$35 million.



GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At and For the Year Ended December 31, 2012

	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
<b>Sales</b>										
External customers	\$ 89,912	\$ 20,689	\$ 22,954	\$ 16,700	\$ 40		\$ 150,295	\$ —	\$ —	\$ 150,295
GM Financial revenue	—	—	—	—	—		—	1,961	—	1,961
Intersegment	(2)	—	—	—	—		(2)	—	2	—
Total net sales and revenue	\$ 89,910	\$ 20,689	\$ 22,954	\$ 16,700	\$ 40		\$ 150,293	\$ 1,961	\$ 2	\$ 152,256
Income (loss) before interest and taxes-adjusted	\$ 6,470	\$ (1,939)	\$ 2,528	\$ 457	\$ (400)		\$ 7,116	\$ 744	\$ (1)	\$ 7,859
Adjustments (a)	\$ (29,052)	\$ (6,391)	\$ (288)	\$ 27	\$ (402)		\$ (36,106)	\$ —	\$ —	\$ (36,106)
Corporate interest income					343					343
Automotive interest expense					489					489
Loss on extinguishment of debt					250			—		250
Income (loss) before income taxes					(1,198)			744		(28,643)
Income tax expense (benefit)					(35,007)			177	(1)	(34,831)
Net income attributable to stockholders					\$ 33,809			\$ 567		\$ 6,188
Equity in net assets of nonconsolidated affiliates	\$ 65	\$ 51	\$ 6,764	\$ 3	\$ —	\$ —	\$ 6,883	\$ —	\$ —	\$ 6,883
Total assets	\$ 87,100	\$ 9,669	\$ 25,032	\$ 11,958	\$ 16,991	\$ (17,006)	\$ 133,744	\$ 16,368	\$ (690)	\$ 149,422
Expenditures for property	\$ 4,766	\$ 1,035	\$ 1,225	\$ 956	\$ 77	\$ (4)	\$ 8,055	\$ 13	\$ —	\$ 8,068
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$ 3,663	\$ 6,570	\$ 638	\$ 483	\$ 49	\$ (1)	\$ 11,402	\$ 225	\$ (10)	\$ 11,617
Equity income and gain on investments	\$ 9	\$ —	\$ 1,552	\$ 1	\$ —	\$ —	\$ 1,562	\$ —	\$ —	\$ 1,562
Valuation allowances against deferred tax assets (b)	\$ —	\$ —	\$ —	\$ —	\$ (36,261)	\$ —	\$ (36,261)	\$ (103)	\$ —	\$ (36,364)

- (a) Consists of Goodwill impairment charges of \$26.4 billion, pension settlement charges of \$2.7 billion and income related to various insurance recoveries of \$9 million in GMNA; property impairment charges of \$3.7 billion, intangible assets impairment charges of \$1.8 billion, goodwill impairment charges of \$590 million, impairment charges related to investment in PSA of \$220 million, a charge of \$119 million to record General Motors Strasbourg S.A.S. assets and liabilities to estimated fair value and income related to various insurance recoveries of \$7 million in GME; GM Korea hourly wage litigation charge of \$336 million, goodwill impairment charges of \$132 million, which are presented net of noncontrolling interests, income related to various insurance recoveries of \$112 million and income related to redemption of the GM Korea mandatorily redeemable preferred shares of \$68 million in GMIO; income related to various insurance recoveries of \$27 million in GMSA; and a charge of \$402 million which represents the premium paid to purchase our common stock from the UST in Corporate.
- (b) Includes valuation allowance releases of \$36.5 billion net of the establishment of new valuation allowances of \$0.1 billion. Amounts exclude changes related to income tax expense (benefits) in jurisdictions with a full valuation allowance throughout the period.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the Year Ended December 31, 2011										
	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
<b>Sales</b>										
External customers	\$ 85,988	\$ 25,154	\$ 21,031	\$ 16,632	\$ 61		\$ 148,866	\$ —	\$ —	\$ 148,866
GM Financial revenue	—	—	—	—	—		—	1,410	—	1,410
Intersegment	3	—	—	—	—		3	—	(3)	—
Total net sales and revenue	\$ 85,991	\$ 25,154	\$ 21,031	\$ 16,632	\$ 61		\$ 148,869	\$ 1,410	\$ (3)	\$ 150,276
Income (loss) before interest and taxes-adjusted	\$ 6,779	\$ (1,041)	\$ 2,232	\$ 158	\$ (446)		\$ 7,682	\$ 622	\$ —	\$ 8,304
Adjustments (a)	\$ 2,394	\$ (1,016)	\$ (364)	\$ 63	\$ (216)		\$ 861	\$ —	\$ —	\$ 861
Corporate interest income					455					455
Automotive interest expense					540					540
Income (loss) before income taxes					(747)			622		9,080
Income tax expense (benefit)					(295)			185		(110)
Net income (loss) attributable to stockholders					\$ (452)			\$ 437		\$ 9,190
Equity in net assets of nonconsolidated affiliates	\$ 60	\$ 50	\$ 6,678	\$ 2	\$ —	\$ —	\$ 6,790	\$ —	\$ —	\$ 6,790
Total assets	\$ 83,528	\$ 15,777	\$ 22,130	\$ 11,514	\$ 30,244	\$ (31,333)	\$ 131,860	\$ 13,112	\$ (369)	\$ 144,603
Expenditures for property	\$ 3,404	\$ 1,016	\$ 907	\$ 880	\$ 44	\$ (10)	\$ 6,241	\$ 8	\$ —	\$ 6,249
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$ 3,693	\$ 1,371	\$ 491	\$ 454	\$ 50	\$ (1)	\$ 6,058	\$ 85	\$ (2)	\$ 6,141
Equity income and gain on investments (b)	\$ 1,733	\$ —	\$ 1,458	\$ 1	\$ —	\$ —	\$ 3,192	\$ —	\$ —	\$ 3,192
Reversal of valuation allowances against deferred tax assets (c)	\$ —	\$ —	\$ —	\$ —	\$ (488)	\$ —	\$ (488)	\$ —	\$ —	\$ (488)

- (a) Consists of the gain on sale of our New Delphi Class A Membership Interests of \$1.6 billion and the gain related to the HCT settlement of \$749 million in GMNA; Goodwill impairment charges of \$1.0 billion in GME; Goodwill impairment charges of \$258 million and charges related to GM India of \$106 million in GMIO; a gain on extinguishment of debt of \$63 million in GMSA; and impairment charges of \$555 million related to Ally Financial common stock and a gain on the sale of Ally Financial preferred stock of \$339 million in Corporate.
- (b) Includes a gain of \$1.6 billion recorded on the sale of our New Delphi Class A Membership Interests. Refer to Note 8 for additional information on the sale of New Delphi.
- (c) Amounts exclude changes related to income tax expense (benefits) in jurisdictions with a full valuation allowance throughout the period.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Automotive revenue is attributed to geographic areas based on the country in which our subsidiary is located. Automotive Financing revenue is attributed to the geographic area where the financing is originated. The following table summarizes information concerning principal geographic areas (dollars in millions):

	At and For the Years Ended December 31,					
	2013		2012		2011	
	Net Sales & Revenue	Long-Lived Assets	Net Sales & Revenue	Long-Lived Assets	Net Sales & Revenue	Long-Lived Assets
Automotive						
U.S. ....	\$ 88,784	\$ 15,844	\$ 85,105	\$ 13,520	\$ 79,868	\$ 11,736
Non-U.S. ....	63,308	12,289	65,190	12,425	68,998	13,709
GM Financial						
U.S. ....	2,233	2,472	1,832	1,112	1,363	532
Non-U.S. ....	1,102	1,043	129	590	47	300
Total consolidated .....	<u>\$ 155,427</u>	<u>\$ 31,648</u>	<u>\$ 152,256</u>	<u>\$ 27,647</u>	<u>\$ 150,276</u>	<u>\$ 26,277</u>

No individual country other than the U.S. represented more than 10% of our total Net sales and revenue or Long-lived assets.

**Note 26. Supplemental Information for the Consolidated Statements of Cash Flows**

The following table summarizes the sources (uses) of cash provided by Change in other operating assets and liabilities and cash paid for income taxes and interest (dollars in millions):

	Years Ended December 31,		
	2013	2012	2011
Accounts receivable .....	\$ 8	\$ (460)	\$ (1,572)
Inventories .....	59	(326)	(2,760)
Automotive equipment on operating leases .....	(968)	370	(522)
Change in other assets .....	(563)	(312)	(320)
Accounts payable .....	(485)	162	2,139
Income taxes payable .....	(161)	155	(360)
Accrued liabilities and other liabilities .....	784	1,041	(727)
Total .....	<u>\$ (1,326)</u>	<u>\$ 630</u>	<u>\$ (4,122)</u>
<b>Cash paid for income taxes and interest</b>			
Cash paid for income taxes .....	\$ 727	\$ 575	\$ 569
Cash paid for interest (net of amounts capitalized) — Automotive .....	\$ 299	\$ 335	\$ 226
Cash paid for interest (net of amounts capitalized) — GM Financial .....	760	298	284
Total cash paid for interest (net of amounts capitalized) .....	<u>\$ 1,059</u>	<u>\$ 633</u>	<u>\$ 510</u>

\* \* \* \* \*

## GENERAL MOTORS COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and Executive Vice President and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at December 31, 2013. Based on these evaluations, our CEO and CFO concluded that our disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were effective as of December 31, 2013.

#### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, misstatements due to error or fraud may not be prevented or detected on a timely basis.

Our management performed an assessment of the effectiveness of our internal control over financial reporting at December 31, 2013, utilizing the criteria discussed in the "Internal Control—Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective at December 31, 2013. Based on management's assessment, we have concluded that our internal control over financial reporting was effective at December 31, 2013.

The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included herein.

#### Changes in Internal Controls

There have not been any changes in our internal control over financial reporting during the three months ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

/s/ MARY T. BARRA

Mary T. Barra  
Chief Executive Officer

February 6, 2014

/s/ CHARLES K. STEVENS III

Charles K. Stevens III  
Executive Vice President and Chief Financial Officer

February 6, 2014

\* \* \* \* \*

## GENERAL INFORMATION

### COMMON STOCK

GM common stock, \$0.01 par value, is listed on the New York Stock Exchange and the Toronto Stock Exchange.

Ticker symbol:  
GM - New York Stock Exchange  
GMM - Toronto Stock Exchange

### ANNUAL MEETING

The GM Annual Meeting of Stockholders will be held at 9:30 a.m. ET on Tuesday, June 10, 2014, in Detroit, Michigan.

### STOCKHOLDER ASSISTANCE

Stockholders of record requiring information about their accounts should contact:

Computershare Trust Company, N.A.  
General Motors Company  
P.O. Box 43078  
Providence, RI 02940-3078

888-887-8945 or 781-575-3334 (from outside the United States, Canada or Puerto Rico)

Computershare representatives are available Monday through Friday from 9 a.m. to 6 p.m. ET. Automated phone service and the Computershare website at [www.computershare.com/gm](http://www.computershare.com/gm) are always available.

For other information, stockholders may contact:

GM Stockholder Services  
General Motors Company  
Mail Code 482-C25-A36  
300 Renaissance Center  
P.O. Box 300  
Detroit, MI 48265-3000  
313-667-1500

### ELECTRONIC DELIVERY OF ANNUAL MEETING MATERIALS

Stockholders may consent to receive their GM annual report and proxy materials via the Internet. Stockholders of record may enroll at [www.computershare.com/gm](http://www.computershare.com/gm). If your GM stock is held through a broker, bank or other nominee, contact it directly.

### SECURITIES AND INSTITUTIONAL ANALYST QUERIES

GM Investor Relations  
General Motors Company  
Mail Code 482-C29-D36  
300 Renaissance Center  
P.O. Box 300  
Detroit, MI 48265-3000  
313-667-1669

### AVAILABLE PUBLICATIONS

GM's Annual Report, Proxy Statement, Forms 10-K and 10-Q and Winning With Integrity (code of conduct) are available online at [www.gm.com/investor](http://www.gm.com/investor).

Printed copies may be requested on our website or from GM Stockholder Services at the address listed above (allow four to six weeks for delivery of materials).

### VISIT GM ON THE INTERNET

Learn more about General Motors vehicles and services on our website at [www.gm.com](http://www.gm.com).

### GM CUSTOMER ASSISTANCE CENTERS

Satisfaction with your entire ownership experience is important to us. To request product information or to receive assistance with your vehicle, please contact the appropriate brand via phone or Twitter:

Buick: 800-521-7300 or @BuickCustCare  
Cadillac: 800-458-8006 or @CadillacCustSvc  
Chevrolet: 800-222-1020 or @ChevyCustCare  
GMC: 800-462-8782 or @GMCCustCare  
HUMMER: 800-732-5493 or @GMCustomerSvc  
Oldsmobile: 800-442-6537 or @GMCustomerSvc  
Pontiac: 800-762-2737 or @GMCustomerSvc  
Saab: 800-955-9007 or @GMCustomerSvc  
Saturn: 800-553-6000 or @GMCustomerSvc

GM of Canada: 800-263-3777  
GM Mobility: 800-323-9935

### OTHER PRODUCTS AND SERVICES

GM Card: 800-846-2273  
OnStar: 888-667-8277

### PRINCIPAL OFFICE



General Motors  
Company

300  
Renaissance Center

P.O. Box 300  
Detroit, MI  
48265-3000

313-556-5000





GENERAL MOTORS COMPANY

300 RENAISSANCE CENTER P.O. BOX 300

DETROIT, MI 48265-3000

[WWW.GM.COM](http://WWW.GM.COM)



Printed on paper that consists of 10% post-consumer fiber